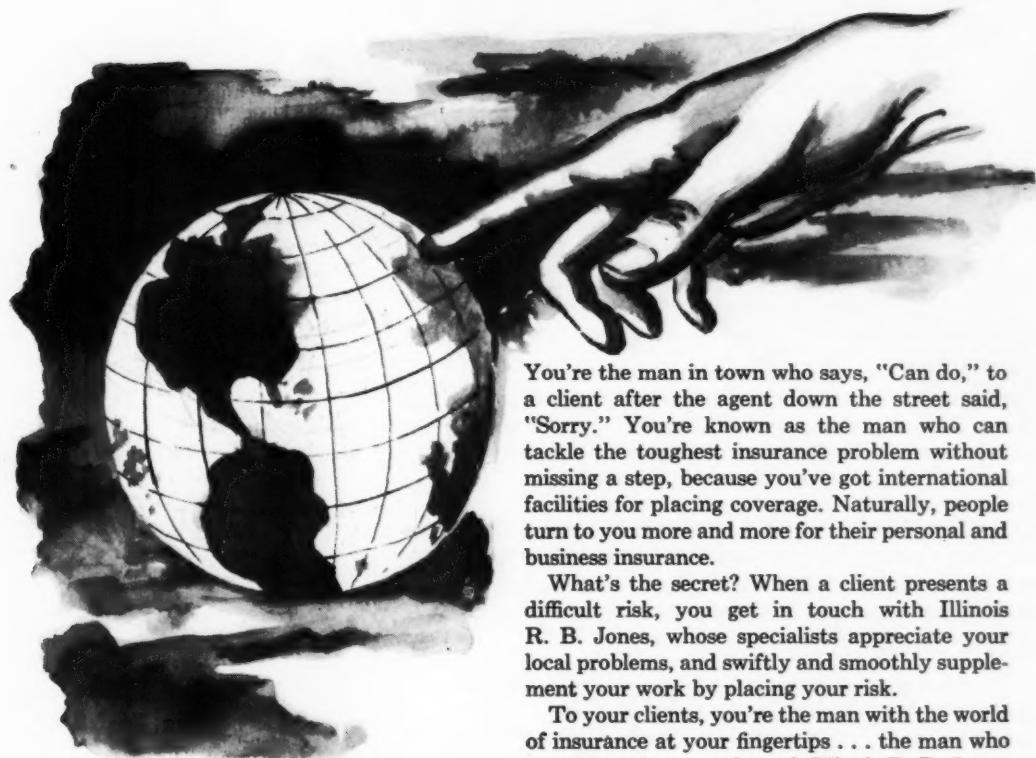


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Affiliated with Aetna Life Insurance Company

Hartford 15, Connecticut

The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

Home to Ask Okay of 1,100,000 More Authorized Shares

Chief Purpose Would Be to
Acquire Insurers; Would
Sell Key Personnel 100,000

Kenneth E. Black, president of Home, is notifying stockholders this week of a special meeting, approved by directors, to be held Aug. 26 to act upon an increase in authorized common stock from four million to 5,100,000 shares.

Under a stock option plan, 100,000 of the new shares would be set aside, free of preemptive rights of stockholders, for sale to key personnel of the company.

However, the principal purpose of the proposal to increase the authorized common stock is to give Home authorized capital enough and of such flexibility that it may be used to issue "upon acquisition of stock or assets of any company." Thus, it may be used as a financing medium to be issued upon such acquisition—for distribution by way of dividend or otherwise. The additional stock also may be used "for such other purposes" as directors determine.

The purpose of stock option plan is to encourage substantial ownership of stock of Home by key personnel, to retain them and to attract to the company "young and ambitious people. In view of the present federal tax laws, governing the sale of stock to employees, and the amendment, in the spring of 1957, of the insurance law permitting an insurance company to have a stock

(CONTINUED ON PAGE 29)

Highlights of the Week's News

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State regulation is success, but can be improved, says Navarre	Page 2
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Parker is elected V-P of Guarantee	Page 12
Defense and plaintiff's attorneys tell how they handle products cases	Page 32

Stock Insurers Win Exemption from Bill Broadening SEC Scope

WASHINGTON—Stock insurance companies are exempted from Securities Exchange Commission registration provisions in a bill which would make certain issuers of unlisted stocks subject to the financial reporting requirements and other provisions of the securities exchange act of 1934.

The bill as approved by the Senate banking and currency committee would subject certain corporations to the jurisdiction of the SEC even if the securities of these corporations were not listed on stock exchanges. Insurance business representatives had contended that the financial operations of insurance companies already are closely regulated by the states and further regulation by the SEC was not necessary.

Corporations with \$10 million or more assets and 1,000 or more stockholders would be subject to the new requirement. According to the terms of the bill, both of these elements must be present before reporting would be required. In a previous version of the bill, the requirement would have been \$2 million or more assets and 750 stockholders, and insurance companies would have been included.

In statements submitted in May to the subcommittee on securities of the Senate banking and currency committee, American Life Convention, Life Insurance Assn. of America, and Health Insurance Assn. of America pointed out that regulation of insurance company securities operations by the SEC is unnecessary because of the existing state regulation of the companies.

ALC and LIA said in their statement that as a result of a long history of regulation at the state level, each of the states over the years has built up a comprehensive system for regulating the insurance business and this system is considerably more protective than the regulations established for ordinary business activities.

The procedures set forth in the bill would have required additional expense and effort on the part of each insurance company and the SEC, said HIAA in its statement. Such a proposal would superimpose regulation on already satisfactory and competent procedures, and there could be no justification for such expense and effort, HIAA pointed out.

Merry Now Assistant Secretary

Clarence L. Merry has been promoted by Traders & General to assistant secretary. He joined the company in 1946 and for nine years has been personnel manager. He will continue to head the personnel department.

Northwestern Mortgage Co. of Minneapolis has organized an insurance department with Clarence A. Pederson as manager. He was with Hardware Mutual of Minnesota from 1935 until 1941, and after the war was with American Indemnity, becoming manager in Minneapolis. He joined the G. D. Van Wagenen Co. managing general agency in 1952.

Term Rates Being Altered from 2.5, 4 to 2.7 and 4.4%

New England Fire Insurance Rating Assn. has promulgated and the insurance departments have approved a decrease in the term discount from 20% for five years to 12.5% and from 16% for three years to 10% in Maine, Vermont, Massachusetts and Rhode Island, effective July 23. Cancellation for rewriting must be at short rate.

At the same time Inland Marine Insurance Bureau has received approval in the same states for a similar reduction in term discount on three years business. Effective the same date, all classes of IM under the bureau's jurisdiction will use a factor of 2.7 times the annual rate, premium or minimum premium, instead of 2.5 times. Cancellation and rewriting of policies is not permitted except at the request of insured and then only at short rate.

This action follows promptly the recommendation of Inter-regional Insurance Conference to regional organizations that they recommend to rating organizations throughout the country term rate multiples to accomplish the discount reduction from 20% and 16% to 12.5% and 10%. These multiples, which affect all classes presently subject to term treatment, would be, as in New England (except Connecticut), 85% of the annual rate for second and subsequent years. Presently this second, etc., year multiple of the annual rate is 75%. Thus the three year premium would be 2.7 times the annual, instead of 2.5 times, and the five year premium would be 4.4 times the annual, instead of the

(CONTINUED ON PAGE 32)

America Fore 1st Half Shows Trade Loss of \$24 Million

Fire Premiums, UP Reserves
Up Sharply, Casualty Off;
Herd Sees No Relief Near

J. Victor Herd, chairman and president of the four companies in America Fore group, has released the six months operating and financial statements. The statement showed an underwriting loss of \$24,724,821 compared with a \$9,503,538 underwriting loss in the like period a year ago, however, fire premiums and unearned premium reserves rose sharply. Fidelity & Casualty volume was down almost \$12 million.

Premiums written by the group increased 11.46% for the period, an increase of \$27,637,221 over the same period of 1956. Fidelity & Casualty produced \$50,883,742, a decrease of \$11,963,559. Continental had premiums of \$35,939,803, increase \$3,657,830; Fidelity-Phenix \$28,839,511, increase \$4,159,160; and Niagara \$36,828,218, increase \$19,820,231.

As of June 30 premium reserves for the four companies stood at \$77,732,922 for Continental, increase \$5,301,748 for the six months; \$58,727,975 for

(CONTINUED ON PAGE 21)

Late News Bulletins . . .

Sues Alabama General Over Atlas Deal

Perry O. Hooper, trustee of Consolidated American Industries of Montgomery, Ala., which is in receivership, has filed suit for \$843,000 in federal court there against Alabama General of Montgomery. The petition charges that while Alabama General officials were also serving as officers of Consolidated American Industries they arranged to exchange stock of the Atlas of Birmingham for 375,000 shares of Alabama General.

Superintendent Horn threw Atlas into receivership in the Montgomery circuit court July 16.

Alabama General Shares Inc. also was named a defendant in the suit.

The petition asks the court for a cash judgment for the value of the securities involved in the sale of Atlas or the return of 375,000 shares of Alabama General stock to Consolidated American, which, in receivership, is technically the owner of Atlas, in receivership.

Richmond M. Flowers is president of Alabama General. He is a state senator and sponsor of the controversial senate bill 332, a story about which is carried elsewhere in this issue. He is also general manager of Alabama Associates of Montgomery, a general agency, and he is a local agent of Dothan. Another senator, Garret Van Antwerp of Mobile, heads Atlas. Several other members of the state legislature are officials of Alabama General.

Calvert Licenses Agents, Gold Hints Okay

Commissioner Gold of North Carolina, who had asked Calvert Fire to show cause why its license shouldn't be suspended or revoked for failing to license agents for misclassifying auto collision risks, closed the hearing on a note clearly indicating he expects to allow the company to continue operating.

He said he would probably ask for more information from the company and

(CONTINUED ON PAGE 32)

State Regulation Is Success but Can Be Improved: Navarre

Suggests Recodification, More Uniformity and No Extra-State Control

With the sword of federal regulations suspended over it, those interested in state regulations of insurance must inquire into its effectiveness, Commissioner Navarre of Michigan, president of National Assn. of Insurance Commissioners, told the insurance section of American Bar Assn. at that part of its meeting held aboard the *Queen Elizabeth* en route to London.

Mr. Navarre stoutly defended regulation by the states. He pointed out many values in that system which the federal government cannot supply, and he went on to tell how he thinks the system may be improved—bettering of the basic law itself through recodification, adoption of unauthorized insurers service of process acts by all states, more uniform laws and administration, and avoidance of extra-state regulation.

No business, operating in a highly competitive market, is as closely regulated by the states as the insurance business, Mr. Navarre stated. No system of regulation provides more efficient checks and balances and none is more sensitive to the public needs and wants. The states have taken the responsibility seriously, he declared. Con-

stant vigilance to protect and preserve the public rights and interests has been the rule.

The insurance business itself contributes substantially to the improvement of regulation and supervision, he said. The great majority of companies have recognized their responsibility to the public and voluntarily have adopted policies and practices which are in the public interest. In other instances, the business has developed codes of ethical practices. Also, the companies have frequently cooperated with state insurance departments in formulating statutes and regulations designed to give the public the greatest protection possible.

However, state regulation can be improved, he pointed out. Several of the states have recodified their insurance laws recently and others currently are in process of doing so. Adoption by all states of the unauthorized insurer service of process acts would provide the necessary legal media at the state level so that the public policy of the state whose citizens are directly affected can be enforced in the courts of other states.

He added that an analysis should be made by regulatory authorities and the business of laws affecting multi-state operations of the business. In many facets of regulation uniformity of law and regulation would be in the public interest.

He also urged review and analysis of administrative procedures by regulatory agencies to improve and perfect the system of regulation. The activities of any NAIC should be extended to include law and procedure clinics in selected fields of regulation. The insurance section of American Bar Assn.,

(CONTINUED ON PAGE 18)

Reiter Retiring at American after 45 Years of Service

Samuel H. Reiter, after 45 years of service with American, is retiring. He joined American in 1912 and served in the accounting department, later broadening his experience in the brokerage and service department.

In 1923 he became a special agent traveling the New Jersey field. He was made state agent of New Jersey in 1939, and in 1949 he was appointed a field supervisor. His responsibilities were increased to cover field production in New York, New Jersey, Pennsylvania and Delaware, exclusive of metropolitan New York City and Philadelphia.

In 1950 he was elected an assistant secretary and in 1951 secretary. Recently he has been superintendent in the production division of the operations department at the head office.

Neb. Agents Get Review of New Insurance Laws

The legislative committee of Nebraska Assn. of Insurance Agents has prepared a summary of legislation affecting insurance enacted in the 1957 session. Among the bills of interest is one to permit the city or village officials to be parties to contracts with the city for \$500 or less, but requiring that no contract be divided for the purpose of evading the law. The bill will provide relief to agents in smaller communities who serve as city or village officials, often as a public service, and write insurance for their towns.

Among the workmen's compensation bills is one making the act applicable to non-resident employers performing work in Nebraska; another increasing benefits from \$25 to \$27.50 as a minimum per week and from \$30 to \$34 as the maximum and increasing the burial benefits to \$350.

Another bill provides that county employees driving county automobiles, trucks or other highway equipment shall assume all liability for their own negligence to the exclusion of the county board and its members. The board shall buy liability coverage of \$50/100/10 and a statutory requirement is to set up for the purchase of auto BI insurance by a county similar to the same requirement by a school district that has existed for several years.

The Nebraska fire marshal tax is amended to include reciprocals.

The insurance code also was amended to clarify the authority of the director in regulating methods of operation and trade practices of Nebraska insurers in other states.

Domestic hail assessment associations are put under stricter regulation under another bill, and their rates must be approved. Such companies must deposit \$5,000 with the department before commencing business, and they are not allowed to accept post-dated checks.

Continental Casualty Sets Up Industrial Hygiene Unit

Continental Casualty has established an industrial hygiene department supervised by Anthony Woeckner Jr. The new department will conduct research with the chemical, medical and engineering problems associated with the handling of toxic and dangerous material and will provide technical assistance to the engineering department in approving a given situation, hold seminars with company field engineers to familiarize them with the fundamental concepts of industrial hygiene, and accompany the engineers in the field to recommend control measures.

R. W. Sweeney, former metropolitan manager of Home Indemnity, has joined J. W. Campo general agency of Long Island City, N. Y.

Chubb Opens New RM Office at Denver, Housman Is Manager

Chubb & Son is opening a Rocky Mountain office located in Mile High Center building, Denver, to serve Colorado, Wyoming and New Mexico. C. S. Housman is manager. He has spent his entire business career in this area and formerly was manager of the Denver office of American. He had been with American 27 years. E. F. Reid will be associated with Mr. Housman. He, too, has spent his entire business career in Denver.

The new office will have the complete multiple line facilities. Heretofore Wyoming and New Mexico have been under the jurisdiction of the Pacific department and Colorado under the midwest department.

Legislation of Insurance Interest in Ill. Noted

A summary of legislation in Illinois affecting insurance directly or indirectly has been prepared by the midwest office of Assn. of Casualty & Surety Companies. Manager Roy L. Davis notes that the total number of bills introduced was 2,314. His summary covers 344 bills with insurance overtones, 15% of the total.

The wrongful death limit in Illinois was increased to \$30,000. There have been reports in the Chicago papers that the new limit is \$35,000, but they are incorrect.

Other new bills with an insurance interest include a measure to allow the director to suspend licenses of companies, agents, brokers or solicitors in lieu of revocation; revision in the provisions relating to claims against insurers in order to expedite liquidations, changes in the regulation of investments of domestic insurance companies; an increase in the salary maximums for officers of domestic life companies; a requirement that articles of incorporation show the authorized stock of the company and the amount sold to meet minimum capital and surplus requirements; permit the writing of death and disability coverage under motor vehicle insurance (thus allowing introduction of the uninsured motorist endorsement); or extension of the Chicago municipal court jurisdiction in civil actions to \$10,000 instead of the former \$5,000; amend the court of claims act to remove the \$7,500 limitation on damage awards in tort cases; prohibit ambulance chasing by non-lawyers, and increase the bond of the auditor of public accounts from \$50,000 to \$500,000.

Issues Booklet on Noise Measurement, Control

Assn. of Casualty & Surety Companies has published a new booklet, "Noise Measurement and Control," to provide a central source where insurance engineers can get help in analyzing and reducing objectionable industrial noises.

The 54-page booklet points out that noise can be more than a mere annoyance. It is believed to be responsible for a number of psychological and physiological effects on workers.

The booklet is intended to provide the basics of noise analysis and control, but authoritative assistance should be sought when dealing with complex situations.

The booklets are available at cost from the accident prevention department of the association at 60 John street, New York 38.

Howard W. Klee, vice-president and secretary of Associated Agencies of Chicago, has formed Klee Insurance, a general brokerage office, in Skokie. Mr. Klee was with Associated Agencies for 25 years and handled both brokerage and agency administration.

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- Income Security—10 to 50 years decreasing term insurance.
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- Five-Year Renewable and Convertible Term (Minimum \$5,000).
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- Modified 10-Year Term—Whole Life (Minimum \$10,000).
- 2, 3, 4 and 5-Year Term—Whole Life (Minimum \$10,000).
- Whole Life with Family Protection Benefit (Minimum \$10,000).
- Whole Life with Seven-Year Double Protection (Minimum \$10,000).
- Double Protection to Age 65 (Minimum \$2,000).
- Whole Life (Minimum \$10,000) Issued Ages 0-70 except in New York . . . not issued prior to Age 10.
- Life Modified Three (Minimum \$5,000).
- Limited Pay Life—10, 15, 20 and 30-years and to Age 60, 65 or 85.
- 20-Pay Endowment at Age 65.
- Endowments—10, 15, 20, 25, 30 and Endowments at 60 and 65.
- Retirement Income Endowment at 60 and 65.
- Annual Premium Retirement Annuity.
- Single Premium Life and Endowments.
- Single Premium Annuities.
- Juvenile Plans—including Estate Builder (Insurance Builder in New York).
- All forms of Group Coverages—including group annuities, group creditors and paid-up life.
- Personal Accident and Sickness Coverages, including Major Medical and Individual and Family Hospital Expense.
- Pension Trust and Profit-Sharing Plans with 16 new plans of insurance and annuities available.

Many of the above Life Plans available on a non-medical basis—up to \$15,000 through Age 30



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New York Life
Insurance Company



Adjusters Lack Clear-Cut Rules on Chicago Rain Losses

Adjusters handling claims resulting from Chicago's record rain two weeks ago apparently will have no clear-cut rules to follow in determining liability under any of the so-called "broad" forms, as the companies are reserving to themselves the right of interpretation of coverages afforded. Some types of claims, particularly those involving cracking and shrinkage of walls and foundations, may not be covered under the newer forms as they were under form 29S, which was more prevalent several years ago.

Average individual insured loss, estimated at \$300 last week, has risen to \$500 now, but the over-all insured loss probably will not exceed the \$8 million total forecast last week.

Edward J. O'Connell has been elected an assistant vice-president of Johnson & Higgins of Illinois Inc. He has been with J&H for eight years.

Pa. Orders Recheck of Auto Overpay Ads by Insurers

Commissioner Smith of Pennsylvania has reported to the governor that the department's investigation of misclassification of auto collision risks has resulted in refunds of about \$500,000 to Pennsylvania insured. However, Deputy Commissioner Kelley said he is far from satisfied with the manner in which some insurers have handled the refunds and has ordered a recircularization by mail of all class 2 policyholders in the state.

This time a department examiner will supervise the circularization work directly. The insurers will pay for the recircularization cost.

In the last 10 days 9,000 questionnaires were mailed from Mr. Kelley's office to policyholders of Service Fire. About 25% of those questionnaire have replied. Many letters were returned because policyholders had moved.

Companies whose practices are under investigation, according to Mr.

Kelley, are Calvert, Industrial, Emmco, Resolute, Service Fire, Stuyvesant, Interstate of Newark and Fire & Casualty of Connecticut.

Mr. Kelley said the percentage of class 2 risks in the state has declined from 30% two years ago to 11% at present. Several other insurers not heretofore investigated are going to be checked, he said. So far 18,489 replies have been received from mailings of 60,000 letters by insurers, and 15,093 checks have been mailed policyholders for a total of \$485,774.

Refunds are: Calvert \$194,806, Industrial \$56,478, Emmco \$83,788, Resolute \$60,345, Service Fire \$45,551, F.&C. of Conn. \$42,365, and Interstate \$4,438. Stuyvesant will be investigated for possible misclassifications, according to Mr. Kelley.

Mr. Smith also has indicated he will insist insurers at their own expense advertise in newspapers of extensive circulation so that "constructive notice" will be given all Pennslyvanians possibly entitled to refunds.

Insurers involved originally requested that the refunds be made directly to finance companies which had loaned money for the purchase of the automobile. Mr. Smith ruled that any refund must be made directly to the policyholder.

The investigation will be continued, he declared.

Strongly Oppose Ala. Protective Fund Bill

Insurance people are strongly opposing senate bill 332 in Alabama, introduced by Sen. Flowers, the administration floor leader. The measure would require fire and casualty insurers to set up "Policyholder Protective Funds" which would equal the aggregate of the minimum capital or similar requirement required to be maintained by an insurer in order to transact the kinds of business for which it is authorized, plus (and here is the hooker) the total of all liabilities excluding declared but unpaid stockholder dividends.

The design of the bill is to restrict investments of money represented by the "Policyholder Protective Funds" to certain limited areas, which are prescribed as: Cash (no maximum); agents balances or uncollected premiums (10% maximum); reinsurance recoverables (5% maximum); accrued interest on investments authorized by the bill; U. S. bonds or other obligations; state bonds or other obligations; municipal bonds (with certain restrictions); Canadian bonds (10% maximum); securities of foreign countries (10% maximum), and common and preferred stocks (10% maximum) only if such stocks have a five-year dividend record and have earnings at least double the dividends and are listed on recognized exchanges supervised by the SEC.

Insurance people who have studied it term this nothing less than a "fantastic" legislative proposal. It would almost certainly drive 50% of the companies licensed in Alabama out of the state immediately, it is said.

N.J. Agents to Cruise

New Jersey Assn. of Insurance Agents will hold its midyear convention April 12-19 on a cruise to Bermuda. Next year is the 65th anniversary of the association.

Olympic of Los Angeles is the newest member of Western Insurance Information Service. S. Arch Richards, vice-president, was welcomed into WIIS by Victor Montgomery, president of Pacific Employers and the founder and president of WIIS.

Johnson Puts Glass on Current Atomic Coverage Problems

NEW YORK—What is so special with respect to insurance, in the development of an atomic energy industry in this country? Haven't other hazardous industries previously presented the same problems and found solution?

In a legal sense there is nothing strikingly new in the atomic energy field, H. Clay Johnson, deputy U.S. manager and general counsel of Royal-Globe, told the insurance section of American Bar Assn. at its annual meeting here. The difference is mostly one of degree, he said. True, in any hazardous operation the operator must calculate in some manner the maximum liability and be satisfied with an insurance limit which falls short of full protection since no company in the U.S. will write an unlimited insurance contract. But with the atomic energy industry the difference seems to be that the maximum liability is incalculable.

He cited such things as possible evacuation of large cities or major watersheds, the shortening of life span and genetic damage, etc. The workmen's compensation risk does not present any problems because the number of persons employed at a power reactor will be very small. A somewhat larger WC problem may arise where substantial numbers of workmen are employed in other activities near the atomic installation, which will raise the question of whether the injuries arise in the course of employment so as to entitle them to WC benefits. Also, insurers would have in most states a subrogated right of action against the person legally liable for the damage.

He pointed out that in case law ultra-hazardous activity divorces liability from fault under the so-called rules of strict liability. One of the first questions which will have to be resolved by the courts is whether an atomic energy operation will be governed by such strict liability rules. One obvious method of attempting to limit liability for catastrophic action is to vest the operation in a separate corporation, but courts probably would look beyond the corporate veil and hold the parent corporation liable. Anyway, this would mean that the burden of loss would merely be shifted to the uncompensated public.

Licensees are required under the atomic energy act to hold the government harmless, which precludes any idea of a government indemnity—unless present legislation is adopted. In the case of private indemnities, those which an operator may extend to his suppliers or vice-versa, public liability merely is shifted from one to the other and in any case the indemnity is no better than the financial worth of the indemnitor.

Consequently, private insurance has been looked upon as the expected method of meeting the problem of public liability, Mr. Johnson said. In the development of other hazardous in-

(CONTINUED ON PAGE 28)

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Banks, newspapers, dairies, laundries, dry cleaners and other firms can ill afford to turn away customers, even in an emergency. Temporary stoppage in service may mean permanent loss of customers.

Extra expense insurance may be the answer to complete protection. In the event of loss, it pays the difference between normal operating costs and the considerably higher charges usually incurred in emergency operations. Rental of temporary quarters and equipment, extra utilities, additional advertising, increased or overtime labor are just some of the major items that could be involved.

Extra expense insurance may be a necessity for some of your clients. Use it also as a "door opener" to reach new clients. Ask your L & L field man to help you capitalize on this excellent premium builder.

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Hear Arguments in Wis. Fire Rate Case

MADISON—Oral arguments were heard last week in circuit court here in the fire insurance rate case in which the Fire Insurance Rating Bureau is contesting the action of the department in disapproving a proposed rating schedule and substituting one of its own. The department's proposed rates chop the underwriting profit factor from 6% to 3½%, among other things.

The bureau's changes in fire rates were approved originally in 1955 by former commissioner VandeZande shortly before he resigned from office.

When Paul Rogan took over as commissioner, his deputy, Charles Timbers, raised a hue and cry about the fire rates, and Mr. Rogan set aside the bureau filing before it had a chance to go into effect on Jan. 1, 1956. Public hearings were held over a period of several months and Mr. Rogan finally issued an order requiring a 17% reduction in fire rates. This was appealed by the bureau to circuit court, and in July of last year the court approved an agreement between Mr. Rogan and the bureau whereby an 11% rate decrease was put into effect in which the fire rates went down and there were some increases for EC and wind.

The biggest issue involved is that of underwriting profit. Mr. Timbers, who is reportedly responsible for drawing up the department's ideas of what fire rates should be, reduced the underwriting profit factor 2½ points and contended that the investment return should be figured in as part of it. These matters are up for decision in circuit court.

In the argument for the bureau, represented by Robert M. Reiser of Madison, E. Hallows of Milwaukee, and James B. Donovan of New York, it was contended in court last week that the department order of May 24, 1956, disapproving all rates and rating schedules for fire and EC as filed by the bureau, was wholly unsupported by the facts or law. In petitioning for a review of the disapproval order, the attorneys argued that fire insurance rate making requires a knowledge of fire and explosion hazards and the application of expert judgment to statistical data in order to obtain rates that are adequate, reasonable and not unfairly discriminatory. The bureau took the position that the department order ignored the law regulating fire rates and unlawfully attempted to set the rates for the various kinds of risks in disregard of fundamental rating principles and common sense.

It was also argued that the department order failed to take into account that some companies write at deviations below bureau rates, with the result that companies are charged with dollars of underwriting profit that are actually never earned and are thus forced to write insurance at rates below a proper level. Enforcement of an order on this basis, it was contended, would deprive the companies of their property rights without due process of law.

The bureau said that rates are reasonable and in accord with the statutes if the prospective underwriting profit is in the area of 6% of earned premiums. It was pointed out that National Assn. of Insurance Commissioners has supported this position. Interpretation given the statutes by the department limits underwriting profit to an arbitrary 3.5% and this was said to be contrary to the intent of the Wisconsin

legislature. By adopting a rate regulatory statute modeled after the NAIC bill, the legislature intended a 6% margin for underwriting profit and catastrophe should be considered reasonable, the bureau lawyers said.

The only evidence as to actual underwriting profit at the hearings before the commissioner showed that stock companies on fire and EC in Wisconsin for the most recent five year period had a 5.8% profit before federal taxes. The department's contentions on underwriting profit, the bureau attorneys said, were not supported by actual data

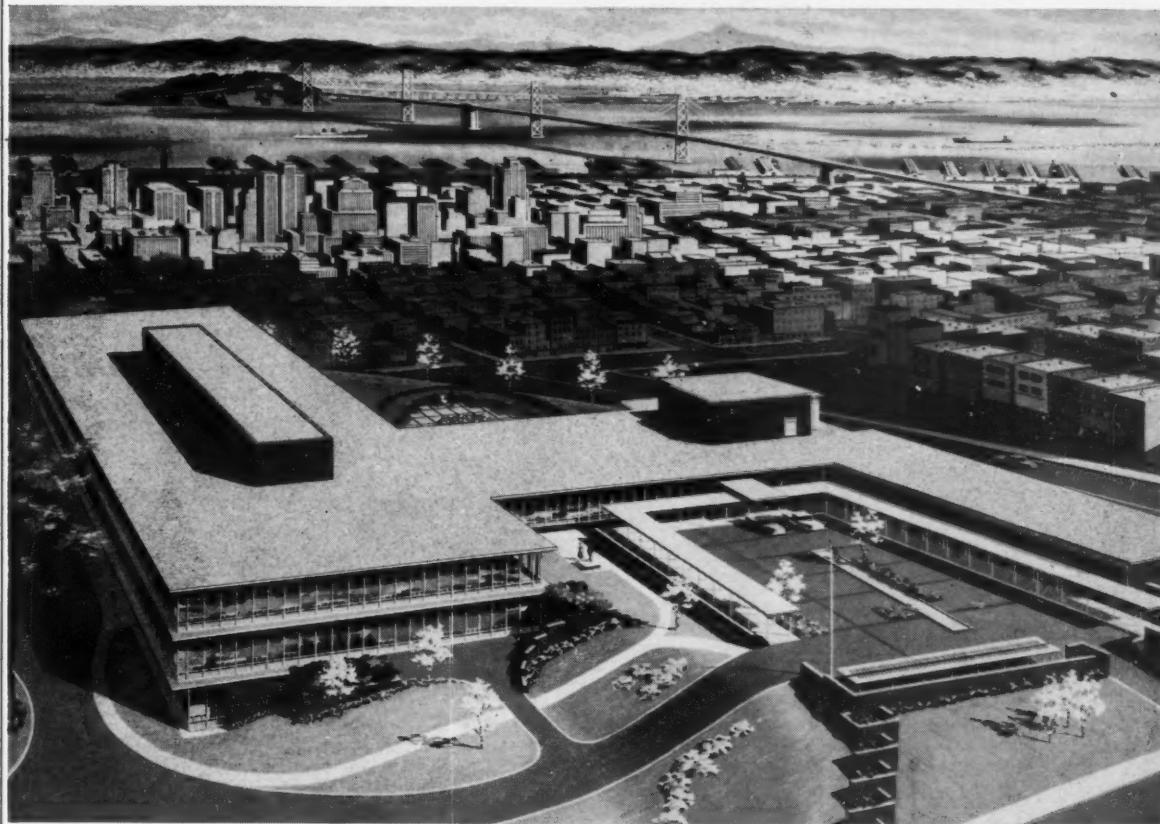
and were based on hypothetical calculations. The bureau attorneys argued that in a risk business such as fire insurance, underwriting profit can only be estimated and no guarantee of a definite amount is possible. The trend of experience in recent years has been unfavorable with most companies incurring substantial underwriting losses on national operations, particularly on wind and other catastrophe claims.

The bureau has 30 days in which to reply to a brief filed by the attorney-general, and the attorney-general will then have an opportunity to reply to

the bureau. The department was represented by Harold W. Persons, Wisconsin assistant attorney-general.

The annual insurance institute sponsored by Georgia Assn. of Insurance Agents will be held at Wesleyan college Aug. 26-28. The institute will have three courses, basic or introductory, office procedures and the agents' course.

U. S. Chamber of Commerce insurance committee will meet Sept. 11 in Washington, D.C.

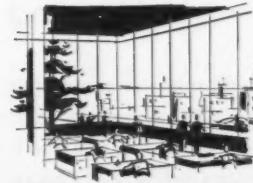


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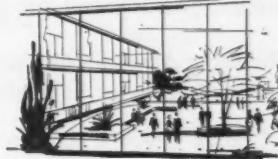
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HERE . . . in our 95th year is a symbol of the confidence, loyalty and support of our 23,500 independent agents and brokers in the United States, Canada and overseas who have entrusted THE FUND with the protection of more than 2,000,000 policyholders.

HERE . . . in our functional new home office, we pledge further progress . . . and the continuance of our tradition of service to the American Agency System.



Soft colors and even, glare-free light characterize the large office areas, providing the optimum in comfortable working conditions. Completely air-conditioned, the interior is designed along modern "open plan" lines.



The spacious cafeteria adjoins a large wind-sheltered terrace which overlooks a panorama of San Francisco. Bright, cheerful colors and contemporary furnishings were used throughout the cafeteria and employees' lounge.



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Giant Jump in Municipal Liability Poses Tough Problems for Cities, Insurers

Though negligence actions against municipalities are overshadowed in numbers by the automobile accident cases, tort cases against municipalities are growing so rapidly each year that they are becoming an ever more serious problem for cities and insurers, Peter C. Brown, corporation counsel for New York City, told the insur-

ance section of American Bar Assn. at the annual convention in New York.

A single illustration demonstrates this point, he said. In 1947, only 913 claims for injuries resulting from defective sidewalks were filed against New York City, and on them the city paid out \$100,000. At that time, the law appeared to bar most defective

sidewalk claims unless the defect was at least four inches in depth. In 1948, the court of appeals, the highest appellate court of the state, in effect abrogated the four-inch rule. As a result, the number of such claims filed against the city in 1956 increased to 5,206 and the city paid out almost \$4.5 million, an increase of about 4,500% in less than 10 years.

The tremendous growth of defective sidewalk claims is illustrative of the trend of municipal tort liability, he said. The liability of municipalities is

being constantly expanded. This is also true of non-governmental defendants.

The greatest recent extension of municipal tort liability is that resulting from the abrogation of the doctrine that a municipality may not be sued for injuries resulting from the exercise of a governmental function. That doctrine was the law in New York prior to 1945 when the case of *Bernardine vs New York City* was decided.

In the pre-Bernardine era, a New York municipality was liable for negligence in the exercise of a quasi-private or corporate function but was not liable for negligence in the exercise of a governmental function. It was by no means always easy to say within which class a particular case should be placed, and the distinction thus gave rise to considerable difficulties. Nevertheless, municipalities had the decided advantage of an immunity from suit with respect to many of their functions. For example, the operations of police and fire departments were uniformly held to constitute governmental functions.

The Bernardine case held that the waiver of sovereign immunity by New York state, by the enactment of its court of claims act, had the effect of terminating such immunity for counties, cities, towns and villages as well. The local units of government were held to be "answerable equally with individuals and private corporations for wrongs of officers and employes." Obviously, the decision opened up a vast field of potential municipal liability, apparently without limitation.

However, Mr. Brown said, it was quickly realized that, if applied literally, the new doctrine would place an intolerable burden on municipalities. More recent cases, therefore, have limited the application of the doctrine of the Bernardine case.

Thus, the court of appeals has held that a municipality is not liable for failing to provide adequate fire equipment and protection for private property on the ground that the statutory duty imposed on the municipality was one owed to the community at large rather than to a particular plaintiff personally. On similar grounds, it has been held that a municipality is not liable for damages resulting from failure to provide adequate police protection.

The net result of these developments is that the old doctrine of absolute sovereign immunity for the exercise of governmental functions no longer exists, he declared. Instead, there is a narrow and not too clearly defined field as to which some immunity still survives.

It is obvious that sidewalks and roadways cannot possibly be kept as smooth as the surface of a billiard table, but an injured citizen is unlikely to accept so objective a view of the matter, he observed.

The four-inch rule, despite its somewhat obscure exception with relation to traps, served the practical purpose of protecting municipalities from a myriad of claims arising out of trivial sidewalk or roadway defects. The four-inch rule was wiped out by the decision of the court of appeals in *Loughran vs New York City* in 1948. There the court said that municipal liability for a hole in a sidewalk was not controlled by any rule of thumb as to the depth of the hole and was to be determined by the facts in each case.

The Loughran case, like the Bernardine case, placed many municipalities in a hazardous financial position by subjecting them to a multitude of claims for trivial roadway defects. Like the aftermath of the Bernardine case, the Loughran case produced its anti-

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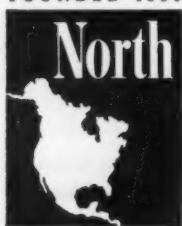
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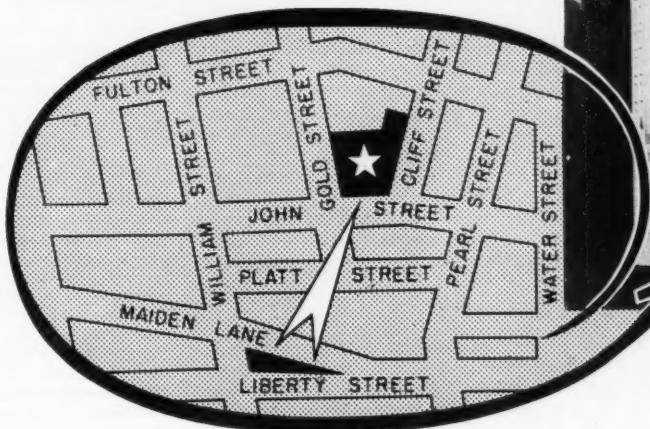
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(CONTINUED ON PAGE 19)

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Successful Insurers Advertise 50% More Than Less Successful Ones: Ehre

Theoretically there are good reasons for an insurance company to advertise, Victor T. Ehre, president of Buffalo, told Insurance Advertising Conference at its meeting in Spring Lake, N. J. However, his company wanted to know if and how insurer advertising works in practice.

So it made a comparison of results of insurers which advertise prolifically compared with those which do not. Two years ago it selected 10 large multiple line stock groups which advertised a great deal and whose advertising expense was 50% above the average for insurers generally. Buffalo also selected 10 equally large standard stock companies that did a limited amount of advertising as evidenced by an advertising expense ratio 50% below average. The results of this study showed:

1. The combined growth in premiums written of the advertising companies was consistently and substantially greater than the non-advertisers.

2. For the 10 years the combined expense ratios of the advertising companies was consistently and substantially lower than that of the non-advertising companies.

3. The combined loss ratios of the advertising companies was consistently better.

4. The combined operating profit of the advertising companies over 10 years was consistently more.

Mr. Ehre conceded that other factors helped account for the better record of the companies which spend more than the average on advertising. But, he added, it must be assumed that advertising was a contributing factor in the superior results. Thus there are not only sound and logical reasons for insurer advertising but practice has proved the advantages of advertising in terms of growth and profit.

In theory, he said, there are several reasons for an insurer advertising. Chief among them are:

1. Agency commissions, field personnel and the agency or production department when combined, represent about 75% of a company's expense ratio. If a relatively small sum spent on advertising would make more ef-

fective this very large investment in sales expense, then the small sum is money well spent.

2. A primary task of management, in addition to building good service at a reasonable price, is to create an identity and a demand for that service. Virtually every insurer in the same business classification gives the same service. Therefore, it is reasonable to believe that to a large extent the difference between the success and the failure of a service institution is the intangible but very real ability to create a personality, to gain acceptance and recognition. The insurer should then try deliberately to create a distinct personality for itself, an identity distinguishable in the market place apart from its competitors.

3. Also, a product, when both intangible as is insurance and unknown if unadvertised, would sell at a disadvantage. The more intangible and the more unknown a company might be, the more that company might have to make concessions in order to get business. It would have a tendency to buy business with extra commissions, costly services and more liberal underwriting. A recognizable product of advertising would be an advantage in selling that product on the most favorable terms to the company.

When a non-advertiser like Buffalo decides to become an advertiser it has one great advantage. It starts clean, fresh and unshackled. It inherits no commitments to style, design, agencies or publications. But where does it start? Mr. Ehre said it starts with the budget. How much of the premium dollar can it allocate to advertising? Multiple line companies spend an average of .22% of premiums written for advertising. Fire companies spend .25% and casualty and surety companies .24%.

An insurer writing \$10 million in premiums would start out with an annual advertising budget of \$25,000. How should the company spend it? Mr. Ehre illustrated the answer by telling what Buffalo has done.

At the beginning, he said, the need was recognized for a symbol or trade-

mark which would give quick identification. Constant and continued use of such a device would gain identity and create acceptance. Buffalo selected the buffalo and the year of the company's establishment. This not only ties in with the name of the company but it is a traditional American symbol of strength and stamina. The whole makes an impression of stability, security, service and dependability.

The company needed something to help agents and special agents tell the story of the longevity, the financial stability, the quality of management, the services and facilities of the company. To do this it prepared and distributed two editions of the annual report, one an investor's or banker's edition which can be used as a visual sales aid, and the other a short form report containing most of the material appearing in the larger edition but of a size to insert with policies, letters, bills, etc.

The development of the trademark was a non-recurring expense so it can be omitted as an annual budget item. However, the printing and distribution of the annual reports cost 10% of Buffalo's advertising budget.

Next came visual sales aids, point of sale items, insert folders and good will pieces which could be used by agents to sell the company and specific classes of business in which it was most interested. Because of budget limitations it purchased rather than created the material itself. The company, however, produces other material such as inventory booklets, memo pads, blotters and agency letterheads, all of which cost 40% of the annual advertising budget.

Next was a house organ to keep agents informed of general matters and what was going on in the company. This is a quarterly, devoted to technical information, sales and promotional material. It also contains sales tips, success stories, articles on insurance and personal items common to this sort of publication. This is aimed to build a feeling of partnership with the company. This represents 13% of its annual advertising budget.

Next the company got into direct mail in a very modest way. Direct mail is the most effective form of advertising for insurers and agents. It can

June Fire Losses Decline but First Half Is up 6.8%

June fire losses in the U. S. totaled \$69,710,000, a decrease of 6.8% from losses for June, 1956, and a decrease of 11.8% from May, 1957, according to National Board. This is the second month in succession to show a decrease but May was the first month in 15 to do so.

Losses for the first six months of 1957 now total \$550,155,000, an increase of 6.3% over the first six months of 1956, and still at the rate of \$1 billion a year plus.

Losses for the first six months of the last three years are:

Month	1957	1956	1955
Jan.	\$115,272,000	\$ 96,972,000	\$ 75,265,000
Feb.	95,569,000	84,041,000	85,046,000
March	104,565,000	80,315,000	88,197,000
April	85,994,000	84,624,000	78,632,000
May	79,045,000	87,681,000	71,789,000
June	69,710,000	74,770,000	70,828,000
Total	\$550,155,000	\$517,403,000	\$469,757,000

Kennicott Jr. Advanced at Lumbermens Mutual Cas.

Hiram L. Kennicott Jr. has been appointed administrative assistant to Martin B. Weber, senior vice-president in charge of underwriting for the Kemper companies. Mr. Kennicott, whose father is a secretary of Lumbermens Mutual Casualty, joined the Kemper organization in 1938 following his graduation from the University of Chicago. He served as a safety engineer and as an underwriter before the war. He was a member of the companies' business extension and executive department staffs until his appointment in 1948 as a coordinator in the procedures department. He was chairman of the Kemper Insurance Junior Board when it was formed in 1946 to give young executives under 35 the opportunity of dealing with problems of top management. In 1954 he was elected assistant secretary of Lumbermens Mutual Casualty and American Motorists.

Ownership of the Ida C. Detting agency of Ann Arbor, Mich., has been acquired by Maurice B. Hodges, who has been with Ann Arbor Agency. Mr. Hodges has been in the business for 12 years, starting with North America as a field man and then traveling for General Accident and Loyalty group before going into the agency ranks.

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Lawyer Gives Settlement vs Trial Factors, Advises Use of Tax Returns

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An interesting discussion of the factors weighed by a trial lawyer in determining whether to settle or try a suit and the introduction of income tax reports to get substantiation of amounts claimed was presented by Paul J. McGough of Minneapolis to the insurance section of American Bar Assn. at its session aboard the Queen Elizabeth enroute to London. Mr. McGough regards income tax records as extremely valuable in bringing reality to the size and character of amounts claimed in suits.

Deciding whether to settle or try one case is simpler than making that decision where a group of cases arise out of a single accident, he said. Here there is the added responsibility of establishing a precedent for remaining claims.

An example is the tragic collision which occurred over the Grand Canyon June 30, 1956, when two airlines collided, causing the death of 128, the worst disaster in the 30-year history of American commercial aviation. About 10 months after the crash, Civil Aeronautics Board filed its report, but to date no court has determined whether one or both of the planes were to blame for the accident. According to newspapers, several lawsuits have been commenced to recover very large sums. Although Mr. McGough represents a widow and her children in one of these cases, he recognizes that the insurers involved are concerned lest the amount paid in settlement of one case be used as a yardstick by other claimants. Whether to try or settle these cases involves a gamble both ways. If one case is tried and that plaintiff obtains a large verdict, a pattern is cut which might spread like a prairie fire to the other lawsuits. On the other hand, if a low verdict is returned it may cause insurers to tighten up on their settlement offers in the remaining 127 claims.

Another example occurred in Toledo in the mid-1930s. One lawyer filed more than 200 lawsuits against an industry, claiming that in the processing of castor beans, the atmosphere was polluted, causing those living near the plant to contract asthma. If attorneys settled any one of these cases, the remaining claimants would have been knocking at the attorney's door for similar settlements. The defendant stood trial and experimented by contesting liability, trying some cases before a jury and others before the court. Attorneys even went so far as to admit liability in one case. After the trial of a dozen cases, a pattern was finally cut which enabled counsel to work out satisfactory settlements of the remaining lawsuits.

The explosion at the Minnesota Mining & Manufacturing Co. plant in St. Paul early in 1951 caused the death of some 18 employees and serious and permanent injuries to many others. Buildings were literally blown to pieces. Some of the injured employees brought suits for large amounts of money against parties other than their employer. After careful consideration counsel concluded there was no alternative but to try each lawsuit to the bitter end. Here again, not a single one of these non-liability cases could be settled because of the effect it would have had on the remaining suits. Over a period of several years, four or five lawsuits were tried and when these plaintiffs were unable to recover, the remaining litigation was dismissed.

Mr. McGough suggested that after

the complaint has been answered, discovery methods such as interrogatories, depositions, medical and other expert examinations and requests for admissions should be utilized to develop the facts. When the medical report does not give a complete picture, the history sheet in plaintiff's hospital record may be of great benefit, because it contains one of the plaintiff's first versions of

what happened. Every step should be taken to acquire a thorough knowledge of all facts that will aid in determining whether the case is one for trial or settlement.

Careful consideration must be given to where the client's case will be tried, in a community known for its low or high verdicts, and where there are local problems which would cause the jurors to be unduly sympathetic to the opponent and his client.

Waiting till the court house steps before deciding whether to try or settle a case may prove costly, Mr. McGough

said. Every case merits settlement discussion, and he is not fussy about who initiates that discussion. Even though a case is thought to be fraudulent, one of no liability, or the so-called "perfect case of liability," it costs nothing to find out the opponent's evaluation of his case. There is rarely, if ever, a valid reason for refusing to discuss settlement with opponents. When defending a major lawsuit, it is no sign of weakness to request that the opponent's attorney submit his settlement demand and a list of the claims special damages. Counsel owes it to his client,

(CONTINUED ON PAGE 29)



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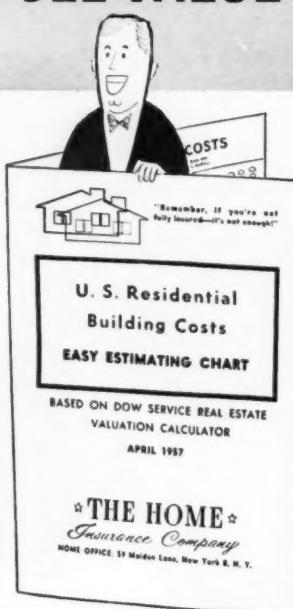
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London Shows Loss in 1956, Hambro Sees More Rates Needed

Combined assets and premiums written by London Assurance and its 15 subsidiaries throughout the world reached new highs in 1956, R. Olaf Hambro, governor of the board, states in the company's annual report.

Adverse experience in the fire and casualty departments offset an excellent profit in marine and produced a total underwriting loss for the year. Premiums totaled £25,187,055 compared with £19,866,305 in 1955. The loss for the group on the year's operations was £68,362. Combined assets at Dec. 31, were £62,412,563, compared with £55,945,795 at the end of 1955.

Two subsidiaries appear in the report for the first time, Guarantee in the U. S., and Securitas of Bremen. The shares of the Securitas were acquired in 1936 but during World War II and the period of financial adjustment which followed the war it was impossible to consolidate the company's accounts with those of the group.

Over-all, the year has been a bad one, Mr. Hambro reported, and the difficulties in fire and casualty operations were principally in North America. The business in the U. S. is undergoing "revolutionary" changes, Mr. Hambro reported in a section dealing with the trend toward multiple line underwriting by U. S. insurers.

Mr. Hambro suggests that the changes in the business in North America come at an unfortunate moment of exceptionally heavy fire losses. These difficulties have affected all insurers in North America, for Canada has suffered the same rise in fire losses as the U. S. and also has been affected to some degree by the changes—in particular the broadening of cover—which have had such an adverse effect in the U. S.

Gelderman IM Head of Fireman's Fund in N.Y.

Frederick A. Gelderman has been appointed manager of the inland marine department for the New York metropolitan branch of Fireman's Fund group. He succeeds John Palumbo, who has resigned. Mr. Gelderman has been with Fireman's Fund 10 years in the inland marine field.

Tex. Department Sets Up Exemption Plan for Policy Form Approvals

AUSTIN—As a means of counteracting an "impossible work load" in the approval of life, A&S and hospitalization policy forms, the Texas department has set up a plan of exemption from provisions of the new law which will become effective Aug. 22.

The department has directed that all such forms filed before the effective date will be exempt temporarily so as to permit prompt approval or disapproval of all forms submitted after that date and also to provide for a gradual review of the exempted forms. The exemption applies to forms which have been "accepted for filing" and not those forms merely submitted for filing.

In the meantime the department will make an accounting of the exempted forms so that later, as the actuarial load permits, the policies or classes of policies can be handled for review.

Goodwin Heads N. Y. Unit of Insurance Buyers

The New York chapter of American Society of Insurance Management at its annual meeting elected H. Stanley Goodwin of McKesson & Robbins president, Frank Hornby Jr. of Ebasco Services and William S. Burkett of American Machine & Foundry vice-presidents, James S. Southwick of Ethyl Corp. treasurer, and R. B. Schelerup of Union-Bag-Camp Paper Co. secretary.

Directors are Henry Anderson of American Broadcasting-Paramount Theatres, W. J. Bliss of American News Co., Ashley Brown of Imperial Paper & Color Corp., Raymond V. Brady of Chase Manhattan Bank, Raymond Cox, W. D. McGuiness of Port of New York Authority, James Mullen of Refined Syrups & Sugars, John F. Nees of United Hospital Fund of New York, D. R. Reid of Continental Can Co., E. W. Pickel of Foster Wheeler Corp., Jesse M. Robinson of Panaminas Inc., A. M. Schmidt of Johns-Manville and Henry Weimer of Philip Morris.

Hartford Assn. of Insurance Women has set Aug. 1 as the deadline for applications for its recently announced scholarship for women in the insurance business. Judges are John H. Egloff, formerly of Travelers and former assistant dean of Hartford College of Insurance, Miss Louise S. Reheiser, assistant secretary of Travelers and Lester Beck of Travelers and Connecticut General and president of Hartford CLU chapter.

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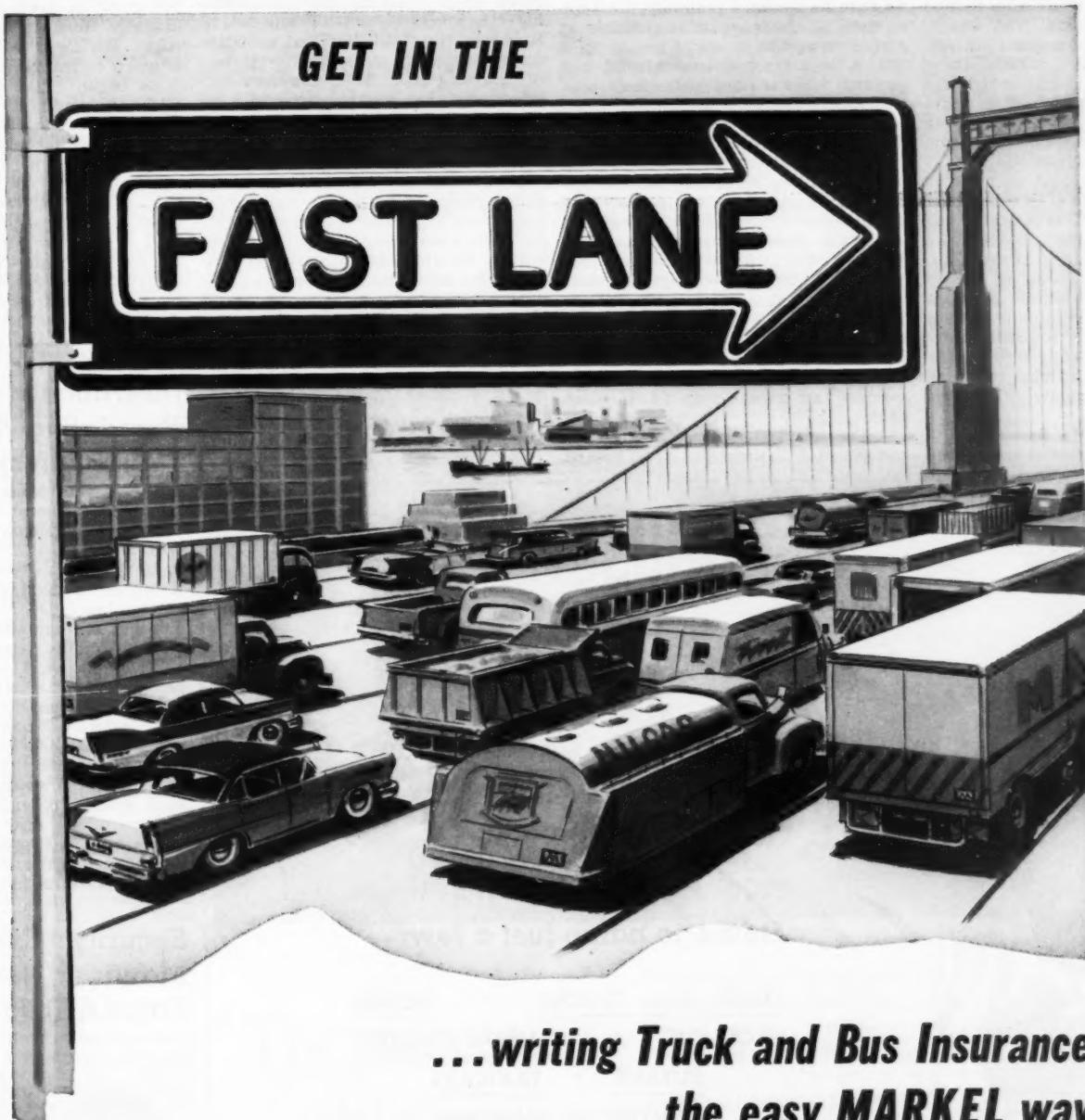
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Examination of WC Rate Bureau in N. Y. Results in Several Recommendations

NEW YORK—The New York department recently completed an examination of New York Compensation Insurance Rating Board. The examination, made by Abraham Silver, makes several recommendations. These are given below, following which are listed the answers of Robert E. Marshall, general manager of the rating board, to the recommendations. The department's recommendations are:

1. Particularly in recent years, store risks, retail, wholesale or special class, were involved in 40% or more of the cases where governing classes were revised as a result of test inspections. Perhaps more combinations of classes or more explicit definitions of store classifications would eliminate some of the errors. A difficulty in the classification of store risks today may be the handling of diverse articles or items involving the overlapping of one or more classifications.

2. There is no doubt that substantial premium is lost to companies be-

cause of incomplete or incorrect audits. An increase in the number of test audits perhaps would point up the type of risks or classes most responsible in erroneous audits.

3. A loss limitation of \$10,000 per accident is mandatory under retrospective rating plans for all eligible risks with estimated annual standard premiums of less than \$50,000. The smaller retrospective rated risk has no need for \$10,000 loss limitation because upon the occurrence of a loss of that size insured automatically is required under the plan to pay the maximum premium. Thus the loss limitation does not operate to reduce premium liability for insured. Consequently, it appears that the smaller retrospective rated risk is charged for a loss limitation from which it can derive no benefit. The examiner recommends removing the charge applied to such risks.

4. For greater accuracy, it is suggested that assignment to hazard

groups in retrospective rating be based on the classification which produces the largest amount of final audited premiums rather than estimated premiums of the risk.

5. Under plan D, differences in calculation of basic premium ratios may result from rounding out, but rounding differences do not amount to 1%. However, this 1% permitted variation may be used as a competitive device in obtaining risks. It is therefore recommended that the board consider reducing the range of discrepancy permitted in the plan for determining basic premium factors.

6. Although the board contends expense ratios are rising, until such conditions are manifest, complete indications should be used as the criterion in determining expense percentage ratios for rating purposes.

7. The department has criticized use of average developments based on five policy years' experience as being incentive to changing conditions and has suggested that 2½ policy years' experience would produce results more in line with current rate requirements. The board maintains that considera-

(CONTINUED ON PAGE 28)

Parker Is Elected V-P of Guarantee

Russell J. Parker has been elected a vice-president of Guarantee of the London Assurance group. He joined the group in April and is in charge of casualty operations in the Pacific coast territory, which embraces 11 western states, Hawaii and Alaska.

He began in the Oakland branch of Globe Indemnity in 1924 and in 1935 became manager. Three years later he was made superintendent of Globe's Pacific coast department in San Francisco. In 1939, he became assistant manager of the Pacific coast department. He went with National of Hartford in 1944 as assistant manager of the casualty and surety divisions for the Pacific coast and Hawaii. In 1950 he was named resident manager in charge of all casualty and surety operations for the Pacific coast territory.

Insurance Men Ponder Regulating Attorney Fees in Injury Cases

The gigantic amounts of money being awarded plaintiffs in personal injury suits, climaxed a few weeks ago with a verdict at Chicago for \$750,000 in favor of a 9-year old boy, has prompted a good deal of discussion among insurance men over the possibilities of regulating the fees of attorneys in these cases.

When an award gets to the fantastic proportions of \$750,000, many insurance men have a strong feeling that a 10% attorney fee would be high enough. Perhaps a graded scale of fees, decreasing percentagewise as the amount of the award increases, would be in order, it is suggested.

Some of the insurance people point out that there is precedent for regulation of fees in the workmen's compensation laws of a number of states.

Security's Ex Coast Manager Now V-P of Sayre & Toso-Brandt

Ferdinand A. Hall, until recently the vice-president and Pacific Coast manager of Security of New Haven, has joined Sayre & Toso-W. B. Brandt & Co. at San Francisco as vice-president in charge of fire and inland marine operations.

Mr. Hall has been in the business for 27 years, starting with Illinois Automobile Club at Chicago. In 1937 he moved to Los Angeles to join E. B. Randall & Sons, five years later going with Security as special agent at Los Angeles. Later he was at San Francisco as Pacific marine manager, and in 1945 he returned to Los Angeles as manager. He became associate Pacific coast manager in 1954.

Sayre & Toso-W. B. Brandt & Co. service the Pacific coast as inland marine underwriters for Atlas and Old Colony, and for Atlas Underwriters Agency for fire in California, and Atlas and Old Colony and Connecticut Fire and Industrial Indemnity for ocean marine.

Mr. Hall succeeds Hugh Christensen, resigned. Mr. Christensen has not announced his plans for the future.

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Driver Must Tell All Accident Causes, Minn. Supreme Court Rules

A driver's lack of good faith in reporting the facts of an accident absolves his insurer of liability in paying a claim, Minnesota supreme court has ruled.

Leverne K. Annis was injured when riding as a passenger in the car of his brother, Harold, who was insured by Casualty Underwriters of St. Paul. Leverne obtained judgment of \$3,481 against Harold, and sought to force the insurer to pay.

Harold had reported defective brakes as the cause of the accident. Actually, excessive speed was a contributing factor. The supreme court agreed with the trial court that Harold's failure to disclose excessive speed as a contributing factor breached the cooperation clause of the policy.

"Good faith in telling and adhering to the truth at all times is the keystone of the cooperation arch," the high court said. "The insured must not prejudiciously embarrass or cripple his insurer in its defense by switching from one version of the facts to another . . . to suit his own convenience or that of a third party."

Holds Guaranty Capital Does Not Subject Mutual to Stock Insurer Tax

The U.S. tax court has upheld Holyoke Mutual Fire in a tax deficiency action by the commissioner of internal revenue covering 1950. The commissioner argued that because Holyoke Mutual has \$100,000 in guaranty capital, set up in 1873 following the big Boston fire, it is not entitled to file its income tax as a mutual, but the guaranty capital is equivalent to stock and that therefore Holyoke Mutual cannot be classified as a mutual for tax purposes.

The commissioner said the company is dominated by the holders of the guaranty shares. However, the tax court ruled that the guaranty capital is not equivalent to common stock since shareholders are not entitled to participate in the profits beyond the payments fixed by law, 7% a year. The court concluded therefore that the company is a mutual within the meaning of section 207 of the 1939 code. The tax court pointed out that for many years Treasury regulations provided that a mutual fire insurer with a guaranty capital is taxed like other mutual fire insurers. However, this provision was not included in regulations beginning in 1941. But the court reiterated its position that Treasury regulations and interpretations long continued without substantial change, applying to unamended or substantially reenacted statutes, are deemed to have received congressional approval and have the effect of law.

Ind. Adjusting Firm Expands

M. M. Johnson Claims Service of Fort Wayne, has opened a new department in its offices at Anderson and Muncie to handle fire and inland marine losses exclusively, and has ap-

pointed John C. Burnette manager. He has been manager at Anderson for Underwriters Adjusting.

Ned E. Stinson has been named manager of an expanded casualty department at Anderson. He has been assistant manager at Richmond and will be assisted by Paul E. Medaris, who has been at Muncie. The Anderson office has been moved to larger quarters at 1420 Chase street.

Wesner to Indianapolis to Aid Schooley for F. & D.

Fidelity & Deposit has assigned Lawrence E. Wesner, who has been at Philadelphia for 11 years, to Indianapolis where he will help Assistant Manager O. W. Schooley handle the affairs of that office during the absence of its manager, Ben R. Turner Jr., due to illness.

Mr. Wesner joined F&D. in 1936 as an underwriter in its home office fidelity department. Following army service he joined F&D. at Philadelphia.

The Toronto branch office of Travelers has moved to 55 Yonge street. A new agency office has been opened at 10180 102nd street, Edmonton, Alta.

Ellison No. 2 at N.Y. for Aetna Casualty

Edward W. Ellison has been appointed assistant vice-president of the New York office of Aetna Casualty. For two years, he has been a field supervisor in the agency department. He will be second in command of the company's largest field office.

He joined Aetna Casualty in 1940 as a field representative and served at New York and Newark. Later he was superintendent of agents at Pittsburgh. In 1953 he was named manager at Rochester and in 1955 returned to the home office.

Allstate Names Wetherall at HO

Allstate has appointed John A. Wetherall assistant personnel director at the home office. He joined the company in 1952 as senior staff auditor at the home office and became Pacific coast zone field audit manager in 1954.

Insurance Women of Joplin, Mo., have elected Pearl Jean Johnson president, Ethel Bealmeir vice-president, Shirley Sears 2nd vice-president, Lenora Martin secretary, and Fern Bloomer treasurer.

Brough, Temple to New Pacific National Posts

C. A. Brough, vice-president, has been promoted to the home office staff to assume executive responsibilities with Paramount Fire of the Pacific National group. Douglas M. Temple has been advanced from assistant to Pacific coast manager of Pacific National.

It was announced also that the home office of Pacific Coast underwriting, claims and accounting staffs are being integrated.

Mr. Brough joined Pacific National in 1945 after underwriting and field experience with North America and Phoenix of Hartford. He is a member of the governing committee of the Pacific Board.

Mr. Temple joined the group in 1956 after having been an agent, field man and underwriter. He is a CPCU.

Enterprise Opens Oakland Branch

Enterprise of Los Angeles has opened a branch office at Oakland with Walter W. Shields as manager. Mr. Shields has been in the business for 26 years.



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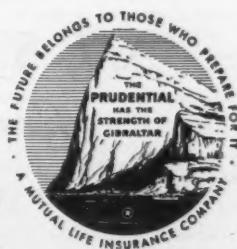
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Convention Dates

- Aug. 12-14, International Federation of Commercial Travelers, annual, Empress hotel, Victoria, B.C.
- Aug. 15-17, Louisiana Assn. of Mutual Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park.
- Aug. 22-24, Texas Assn. of Mutual Insurance Agents, annual, Shamrock-Hilton hotel, Houston.
- Aug. 26-27, South Dakota Assn. of Insurance Agents, annual, Marvin Hughtt hotel, Huron.
- Aug. 26-29, Hon. Order of the Blue Goose, International, Grand Nest, Roosevelt hotel, New Orleans.
- Aug. 29-30, Minnesota Assn. of Insurance Agents, annual, Breezy Point lodge, Brainerd, Minn.
- Sept. 5-6, New Jersey Assn. of Insurance Agents, annual, Traymore hotel, Atlantic City.
- Sept. 8-11, International Claim Assn., annual, Chalfonte-Haddon hall, Atlantic City.
- Sept. 9-12, National Assn. of Insurance Agents, annual, Chicago.
- Sept. 12-13, Conference of Mutual Casualty Companies, sales and agency conference, Conrad Hilton hotel, Chicago.
- Sept. 15-18, Idaho Assn. of Insurance Agents, annual, Sun Valley.
- Sept. 16, Vermont Assn. of Insurance Agents, annual, Lake Morey inn, Fairlee.
- Sept. 16-17, Minnesota Assn. of Mutual Insurance Agents, annual, St. Paul hotel, St. Paul.
- Sept. 16-18, Michigan Assn. of Insurance Agents, annual, Grand hotel, Mackinac Island.
- Sept. 17-20, Mutual Loss Research Bureau, annual, Edgewater Beach hotel, Chicago.
- Sept. 18-19, New Hampshire Assn. of Insurance, annual, Wentworth-by-the-Sea hotel, New Castle.
- Sept. 18-20, Washington Assn. of Insurance Agents, annual, Olympic hotel, Seattle.
- Sept. 19-20, Nebraska Assn. of Insurance Agents, annual, Sheraton-Fontenelle hotel, Omaha.
- Sept. 20, Delaware Assn. of Insurance Agents, annual, Rehoboth Country club, Rehoboth.
- Sept. 22-24, Oregon Assn. of Insurance Agents, annual, Eugene hotel, Eugene.
- Sept. 23-24, South Dakota Assn. of Mutual Insurance Agents, annual, Sioux Falls.
- Sept. 24-25, South Carolina Assn. of Insurance Agents, annual, Bon Air hotel, Augusta, Ga.
- Sept. 26-27, Oklahoma Assn. of Mutual Insurance Agents, annual, Skirvin hotel, Oklahoma City.
- Sept. 29-Oct. 1, Pennsylvania Assn. of Insurance Agents, annual, Pocono Manor inn, Mount Pocono.
- Oct. 1-3, Society of Chartered Property & Casualty Underwriters, annual, Waldorf-Astoria hotel, New York City.
- Oct. 3-4, Mountain States Assn. of Mutual Insurance Agents, annual, Denver.
- Oct. 6-9, National Assn. of Casualty & Surety Agents, annual, Greenbrier hotel, White Sulphur Springs.
- Oct. 6-9, National Assn. of Casualty & Surety Executives, annual, Greenbrier hotel, White Sulphur Springs.
- Oct. 13-16, National Assn. of Mutual Insurance Agents, annual, Sherman hotel, Chicago.
- Oct. 16-18, National Assn. of Independent Insurers, annual, Edgewater hotel, Chicago.
- Oct. 17, Inter-Regional Insurance Conference, annual, Plaza hotel, New York City.
- Oct. 17-18, Pacific Fire Rating Bureau, annual, Camelback Inn, Phoenix.
- Oct. 19-23, Western Underwriters Assn., annual, Greenbrier hotel, White Sulphur Springs, W. Va.
- Oct. 21-22, Insurors of Tennessee, annual, Chattanooga, Read House.
- Oct. 20-22, Kansas Assn. of Insurance Agents, annual, Baker hotel, Hutchinson.
- Oct. 20-22, Maryland Assn. of Insurance Agents, annual, Lord Baltimore hotel, Baltimore.
- Oct. 20-23, National Assn. of Mutual Insurance Companies, annual, Jung hotel, New Orleans.
- Oct. 21-23, California Assn. of Insurance Agents, annual, Hotel del Coronado, San Diego.
- Oct. 22, Conference of Mutual Casualty Companies, Jung hotel, New Orleans.
- Oct. 22-23, Massachusetts Assn. of Insurance Agents, annual, Sheraton Plaza hotel, Boston.
- Oct. 22-24, Wisconsin Assn. of Insurance Agents, Schroeder hotel, Milwaukee.
- Oct. 27-29, Illinois Assn. of Insurance Agents, annual, Pere Marquette hotel, Peoria.
- Oct. 27-29, Missouri Assn. of Insurance Agents, annual, President hotel, Kansas City, Mo.
- Oct. 28-30, Ohio Assn. of Insurance Agents, annual, Commodore Perry hotel, Toledo.
- Oct. 30, Connecticut Assn. of Insurance Agents, annual, Statler hotel, Hartford.
- Nov. 7, Insurance Federation of New York, annual, Waldorf-Astoria hotel, New York City.
- Nov. 7-8, Michigan Assn. of Mutual Insurance Agents, annual, Statler hotel, Detroit.
- Nov. 15, American Marine Insurance Clearing House, annual, New York City.

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INSURER GIVES VIEWS

Reinsurer in Tough Spot as Demands for High Limits Rise and Big Losses Climb

As a result of pricing practices in the reinsurance field, most fire and casualty companies in the U. S. probably retain net limits considerably below what they could reasonably be expected to assume from a theoretical standpoint, according to Hubert W. Yount, vice-president of Liberty Mutual. He spoke at the International Insurance Conference in Philadelphia, sponsored by University of Pennsylvania.

Mr. Yount said the reason for this anomalous situation is the conclusion of most insurers that the reinsurance premium cost for a high limit, plus the cost of losses directly assumed up to that limit, is more than the price necessary to pay for reinsurance to protect against losses going over a lower limit.

For this reason, as well as conservative desire to protect company assets, the customary limit of liability assumed by most fire and casualty companies in the U. S. is closer to 1% of policyholders surplus than the statutory limitation of 10%, and perhaps closer to .5% of company premium volume.

Mr. Yount also emphasized the difficulties faced by reinsurers as the result of inflation, expanded and new hazards, catastrophes, etc.

One factor which motivates the primary insurer to protect himself through reinsurance is statutory limitations imposed upon insurers in some states as to the maximum liability which can be assumed under any one insurance contract, he observed. Often this limitation is expressed as an amount equal to 10% of the policyholders surplus. The Treasury imposes a similar requirement upon companies that wish to issue surety bonds running to the benefit of the government. Although such limitations prescribed by law and by official regulation are controlling, they are relatively unimportant in practice. Much more conservative limitations than these are usually followed by insurance underwriters in the U. S. In other countries custom and regulation sometimes permit the assumption of a risk of as much as 10% of the premium fund, although such practices are unusual.

A second, more important consideration as to how much and what kind of reinsurance should be purchased arises from an evaluation by the direct insurer of the impact of a single loss or series of losses upon the company loss ratio and surplus. Emphasis may be on either one or both. The company first decides the maximum loss it can safely assume and then explores the reinsurance market for protection over that maximum and to determine the cost of what types and forms of reinsurance can be purchased to provide the needed protection.

The nature of the demand for rein-

surance is subject to change as the situation affecting the direct writers changes, he said. While volume and surplus affect decisions by the primary insurer on limits of liability to be assumed, these values in themselves have been far more static.

Fire and casualty premiums in the U. S. increased from \$1,833,000,000 in 1931 to \$10,539,000,000 in 1955, about 475%. Significantly, this volume has tended to run around 3% of the national income. During this 25 years, policyholder surplus of the same companies increased from \$1,728,000,000 to \$9,461,000,000, or about 450%. Thus, U. S. fire and casualty insurers have been increasing in size with the economy, and with each increase in size they have been able to assume larger shock losses without unduly disturbing their loss ratio or financial condition.

With increased capacity of the primary insurers the problem of the reinsurers to maintain a growing volume of premiums would have been materially aggravated had the distribution of loss by size remained constant, he noted. Although dealing with losses of large size which, of course, occur less frequently, a reinsurer is under the same compulsion as a direct insurer to obtain a spread of loss with which, in probability, underwriting will reproduce the expected aggregate. There has been at work in the economy a combination of factors tending to increase the proportion of excess losses faster than the growth rate of the economy. This has presented a difficult series of problems for reinsurers.

Costs of losses for which reinsurance is demanded have been increasing steadily because of the declining value

Minn. Court Holds TB Is Covered by WC

ST. PAUL—A St. Paul policeman who contracted tuberculosis from a fellow officer is entitled to workmen's compensation, Minnesota supreme court has held in upholding an award of the state industrial commission. The city of St. Paul had asked the court to reverse the finding of the commission on the ground that it was contrary to law. The city contended that when the legislature enacted the occupational disease provisions of the WC act it did not intend to provide a general system of health insurance.

In reply the court said "while generally that may be admitted we think it clear that the legislature has been in accord with this court's interpretation of the occupational disease provisions of our workmen's compensation law."

The court said the conditions of the policeman's employment were the cause of his infection with tuberculosis.

of the dollar, he declared. In fire insurance, building costs are approximately 300% of prewar level and building contents 250% to 300%. Inflation is the primary cause of the increase in the number of high cost fires. According to National Fire Protection Assn., there were 430 such fires in 1956 in the U. S. and Canada costing in excess of \$250,000 for a total of \$330 million, greater by \$50 million than the previous record loss from such fires in 1953. This illustrates one aspect of the need of the direct insurer for reinsurance and the problem of the reinsurer in handling it.

In third party liability the same inflationary factors have been at work, Mr. Yount said. With average industrial wages more than three times prewar and with the cost of personal services in hospitals on a comparable level, obviously the direct dollar loss resulting from BI will be measured in equivalent terms. Of most significance to the reinsurer is the continuing cycle of inflation which, together with other factors affecting claims costs, probably are producing an annual increment of 5% in the average cost of third party claims.

The added assumption by the reinsurer of the risk resulting from the inflation spiral is not contemplated by the theoretical consideration of the economic function of reinsurance, or of insurance, in Mr. Yount's opinion. Practically it is a very real consideration and affects the purchaser of insurance, the direct insurer and the reinsurer in varying degrees. With adequate insurance to value in the field of property insurance, inflated values should be covered by inflated premiums. Underinsurance during a period of inflation, unless the insurers have adequate coinsurance protection, will tend to pass a portion of the cost created by the inflation onto them and through them to the reinsurers. The reinsurers will be hardest hit because a larger proportion of the total number of losses will now run through reinsurance attachment points.

Also, he said, in third party liability the reinsurer is hard hit because he is forced to assume a substantial proportion of the effect of the inflation on claim costs. Where the reinsurance covers for an excess above a specific amount of loss, the direct insurer passes along to the reinsurer the full effect of the inflation on the claims costing in excess of such amount, and, of course, a larger proportion of all claims will now run above the amount specified. When the delay in reporting many such serious cases and the long period required in many instances for the final determination of liability under court procedures is considered, the problem of the reinsurer in having to assume the risk for which inflation is responsible is seen to be very serious indeed.

Recent changes in the fundamental nature of the economy itself are bringing even more significant changes in the needs and demands by insurers for reinsurance protection and thus most profoundly affect the role of the reinsurer, he said. In physical damage there are constantly larger individual

NFPA Bulletin Gives School Fire Causes

Most school fires occur when schools are closed and unoccupied, usually at night. This was revealed in a study of 300 public school fires recently completed by the fire record department of National Fire Protection Assn. Findings of the special study along with recommendations for improving life safety and fire protection in schools have been published in NFPA's 24-page illustrated bulletin, *Occupancy Fire Record—Public Schools*.

Included in the study is an analysis of factors responsible for loss of life in 35 fatal school fires in the U. S. and Canada. Substandard exits, explosions of flammable liquids and gases, and the presence of combustible stage curtains, interior finish and decorations are cited as the most frequent causes for fire deaths in schools.

The report lists electrical causes as responsible for 34.5% of all public school fires studied. The other most frequent causes were defective or poorly installed heating and cooking equipment, 18.4%; incendiary including vandalism, 12.6%; smoking and matches, 11.6%, and lightning, 5.8%.

Where schools were totally destroyed by fire, the study found the following factors to be responsible most often: Lack of water for fire fighting; lack of private fire protection such as automatic sprinklers, automatic fire detection systems and watchman service; the presence of undivided attics, open stairways, non-firestopped walls and failure to cut off the heating plant from the rest of the building.

The bulletin may be obtained from the publications department of NFPA, 60 Batterymarch street, Boston 10, at 50 cents per copy.

Suggests that Producer Share Fortunes of Insurer

A close observer of the insurance scene, who has been looking at some of the 1957 results of the companies, writes:

Our business is almost at the point of no return. It is the only business on the face of the earth in which a producer is paid a commission for losing money for his principal.

The only way to arrive at a solution is to have the producer of the business share in the losses, and by that I don't mean to dig down in his pocket to pay part of the loss. To illustrate what I do mean, assume that the business is on a 25% commission basis. At the time of the inception of the contract, have the company pay the producer 12.5%, and at expiration of the business, if there are no losses, the remaining 12.5% will be paid. Depending on the losses, the remaining 12.5% would be scaled down proportionately.

loss potentials in manufacturing industries. This results either from larger individual properties or from a greater concentration of value within the same property. This is an age of greatly increased industrial horsepower. The industrial use of horsepower per worker employed has more than doubled in

(CONTINUED ON PAGE 26)

Relation of Counsel for Reinsurer to Insurer Explored

Holly W. Fluty, vice-president and counsel of General Re, discussed the casualty excess loss treaty in his talk before the insurance section of American Bar Assn. at its convention in New York. This is the type of treaty wherein trial lawyers normally deal with litigation that involves a primary insurer and its reinsurer, he said.

By such treaty the insurer has agreed to assume all losses arising out of a single accident up to a specified amount, called the retention; the reinsurer for its part has agreed to assume all or a certain portion of such losses in excess of that specified amount. The reinsurer does not owe any obligation to the original insured. The obligations of the reinsurer run solely to the insurer.

Under the terms of a casualty excess loss treaty, great powers are vested in the ceding company, Mr. Fluty observed. The reinsurer in essence agrees to follow the fortunes of the ceding company. While the exact meaning of this phrase is somewhat vague, its import, through custom and usage, is crystal clear to both the reinsurer and reinsured. However, this phrase has not been defined in any court decision.

Mr. Fluty said the casualty excess loss treaty in reality creates a partnership as to treaty matters. Under the law of partnerships one partner can bind the other as to partnership matters and in turn it is required that the utmost good faith be exercised by the partners as to any partnership transaction.

As regards lawyer, insurer and reinsurer, the really important provision of the casualty excess treaty deals with the rights and duties of the partnership as to losses. The ceding company has the right to do as it sees fit, as to compromising a claim, making a settlement

or contesting a case by litigation. The treaty grants to the ceding company the sole right to dispose of the claim as it deems advisable and the reinsurer is responsible for its proportionate share of the loss, whatever way the claim is disposed of, according to the terms of the treaty. The obligations of the reinsurer are always subject to the specific stipulations of the reinsurance contract.

Naturally, with such broad powers being granted to the ceding company, it follows that certain obligations as to losses are placed on the company and that the reinsurer is granted certain rights as to losses. The treaty normally provides that the ceding company shall give immediate notice to the reinsurer, with full details, of any claim which it is reasonable to assume may involve the reinsurer and, thereafter, keep the reinsurer advised of important developments. Also the reinsurer may, at its own expense, associate counsel with the ceding company's attorney in any litigation likely to involve the reinsurer. Further, the reinsurer has the right to inspect the records of the ceding company. These latter two provisions are purely protective and are seldom exercised by the reinsurer.

With the understanding that the obligation to settle losses, along with the right to determine how such losses are to be settled, is vested in the ceding company under the terms of the treaty, Mr. Fluty gave his views as to the proper relationship between lawyer, insurer and reinsurer.

Under the casualty excess loss treaty, counsel for reinsurer should not, unless specifically so requested by the ceding company, have any contact with the lawyer employed by the ceding company to defend litigation involving the original insured. His contact, in connection with the litigation, should be solely with the legal or claim department of the ceding insurer. This is absolutely essential, he said, inasmuch as full authority to determine the disposition of the case is vested in the

ceding company and, hence, it is its right, privilege and duty to issue all directives to its trial lawyer.

In actual practice there is a very close working arrangement between the ceding company's representative and the reinsurer's counsel. Naturally, the manner in which these consultations are conducted varies not only as to different ceding companies but also according to the particular type of litigation involved. Actually, although the ceding company has complete control of the disposition of its cases, the reinsurer is normally consulted on serious cases, not only as to liability but also as to settlement value, selection of trial counsel, trial tactics and so forth.

Cal. Governor Signs Bill Killing Ruling 67

Gov. Knight of California has signed the bill recently enacted by the legislature prohibiting the use of premium discounts or retrospective rating plans by insurers writing non-participating workmen's compensation insurance in the state. The governor's action formally buries ruling 67 of former commissioner J. R. Maloney, which had been the subject of much controversy over the last five years.

The bill, as enacted by the legislature, prohibits determination or modification of premium or rates for any California insured by combining his WC experience or premium in California with experience in other lines of insurance or with WC experience from other states. It also proscribes the use of any discount of basic premium rates or premiums other than by experience or schedule rating, with the provision that any discount determined in that manner will not operate to reduce the expense provisions in the basic rates.

Many insurers which had backed the controversial ruling 67, which would have permitted the use of retrospective rating and premium discounts now outlawed, have already begun writing participating WC and ap-

parently do not plan further opposition at this time.

Commissioner McConnell, who has been holding hearings on ruling 67, said that the signing of the new law did not render his decision unnecessary, but made its completion even more necessary. He promised a final decision within the next week.

The new statute will become effective Sept. 11.

Culbert Succeeding Delaney as F.&C. Manager at Hartford

Leo C. Delaney, resident manager at Hartford of Fidelity & Casualty, who recently celebrated his 47th anniversary with the company, is retiring and William J. Culbert, resident manager at Brooklyn, succeeds him.

Mr. Culbert began with Appleton & Cox in New York City. He joined Fidelity & Casualty in 1921 in the home office bonding department. He transferred to the accounting department and later to the auditing department where he became countrywide payroll auditor. For a time he served as a member of the risk examining committee and with the rating department. In 1938 he was appointed a special agent for the eastern department in Queens, Nassau and Suffolk counties. In 1946 he became district agent of F.&C. at Stamford, Conn. When the Brooklyn branch was opened by America Fore in 1951 he was appointed resident manager of F.&C. He transferred to Hartford earlier this year.

Mr. Delaney joined F.&C. in 1910 as a special agent at Milwaukee, later became resident manager there and in 1935 transferred to Hartford as resident manager.

American Plan Corp. Sets Up Cal. Subsidiary with C.S. Williams as Manager

American Plan Corp. of New York has formed a new subsidiary, American Plan Corp. of California, which will act as automobile and mobile home managers of American Fidelity & Casualty, and Jefferson of New York.

The new subsidiary will have two offices at 55 New Montgomery street, San Francisco, and 2552 East Colorado street, Pasadena. Charles S. Williams has been appointed west coast manager, with headquarters in San Francisco.

Officers of American Plan of California are Mark M. Hart president, Clyde Cunningham executive vice-president, Mortimer Weinberg vice-president and treasurer and Mr. Williams vice-president and secretary.

New Ohio Deviation Rule

The Ohio department has sent a bulletin to companies informing them that the department will no longer give notice of forthcoming expirations of deviations. Insurers have had to renew deviations each year, but the department has been giving them notice when the renewal date was at hand. Henceforth the companies will have to keep track of renewal dates themselves and if they fail to follow up will have to revert to bureau rates and rules until a new deviation filing is approved.

New Hill Office at Indio

Jack Hill & Co., independent adjusters of San Bernardino, Cal., have opened an office at Indio to service the Coachella Valley. Herbert Miller, who has eight years of company and 3½ years of independent experience, is manager of the farthest east adjusting office in California.

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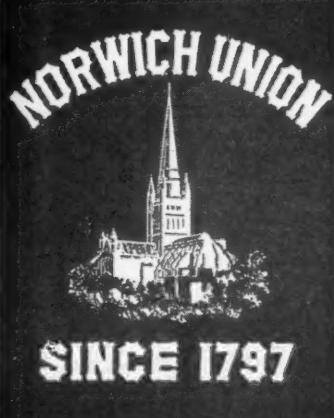
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Court Admits Signed Confessions as Proof of Theft and Amount

The confessions of employees, though generally held to be hearsay, were admitted in evidence to prove misappropriation and amount thereof, in the case of McKelvey Co. vs General of Seattle. The dishonest employees had signed confessions that they had dishonestly appropriated store funds for their own use, but when the issue between insured and insurer came on for trial, the employees could not be located. CCH 9 (fire and casualty) 174.

Ohio supreme court ruled that the confessions were admissible to prove both the fact and the amount of the loss. The court pointed out that the rule has arisen that a declaration against interest by one not a party to an action is admissible in evidence where the person making the declaration is dead or unavailable due to sickness, insanity or absence from the jurisdiction; where the declarant had peculiar means of knowing the facts which he stated; where the declaration was against pecuniary or proprietary interest, and where he had no probable motive to falsify the facts stated.

The court pointed out that there may be circumstances other than death which render a witness as unavailable to testify as if he were dead. Under such circumstances a declaration, if it meets the other requirements of the rule, loses none of its trustworthiness or probability of trustfulness and veracity. Certainly a person who commits an embezzlement has a peculiar means of knowing whether he embezzled and how much he took, the court said. From the record in this case, the store's employees were the only persons who could accurately indicate both the fact and the amount of the embezzlements. It certainly was not to their interest to state such facts since the declarations rendered them civilly liable for the amounts of their defalcations, the court ruled.

Manchester, Bennett, Powers & Ulman, John H. Ranz were attorneys for the McKelvey Co., and William E. Pfau Jr. for the insurer.

Allstate to Erect Second Building at Skokie, Ill.

Allstate last week announced plans to build a second large office building in Skokie on an 11-acre site a few blocks west of the present Allstate building at 7447 Skokie boulevard.

The new structure will house the Chicago regional office, now occupying the first floor of the Skokie boulevard building, and the midwest zone offices located in leased space in Edgebrook. The home office will remain in the present building.

Allstate moved its regional office to Skokie in 1952 and its home office there in 1953 at the beginning of a program of locating its buildings in suburban areas.

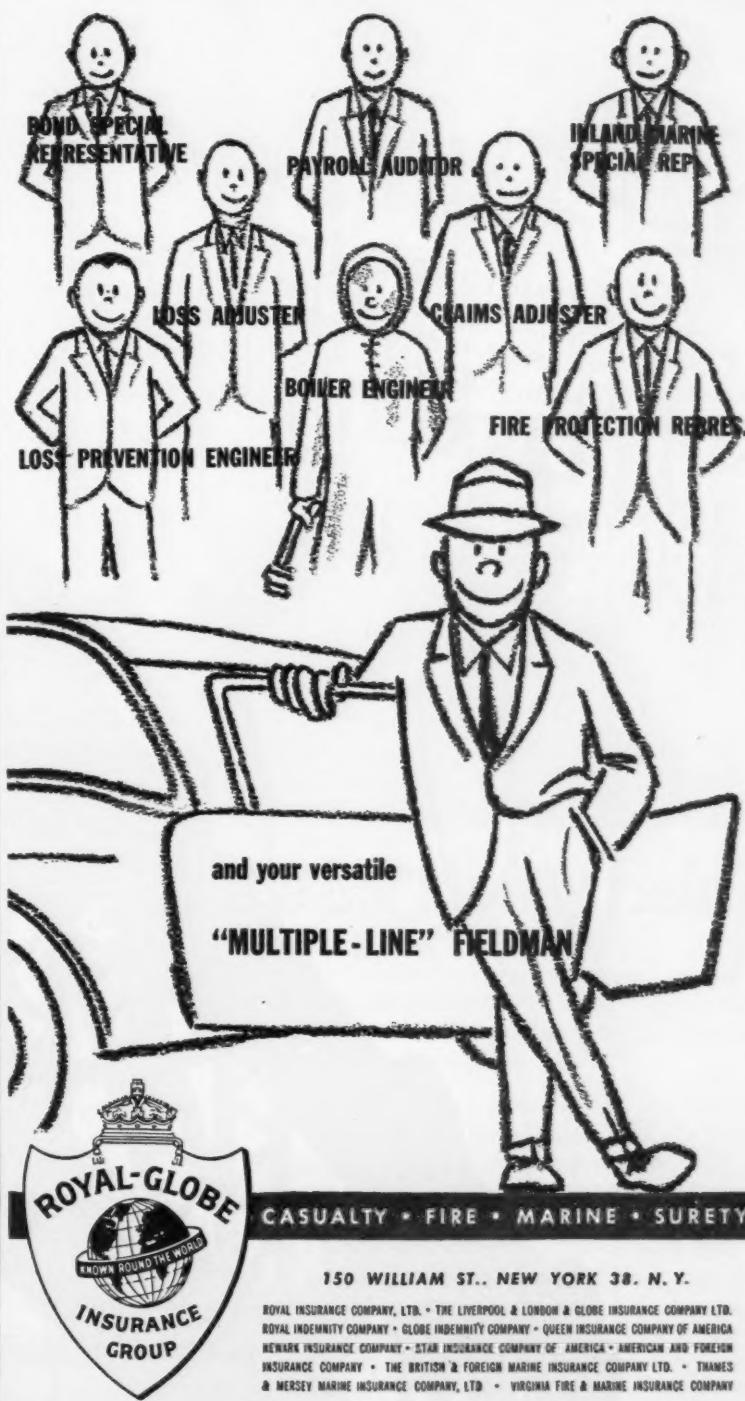
**Standard Accident Names
Litzinger to Pa. Claim Post**

Standard Accident has appointed Charles B. Litzinger manager of the claim department at Pittsburgh. He joined Standard Accident in 1954. In 1955, he was made claim representative at the Detroit branch, and later that year was transferred to Grand Rapids as claim representative.

H. Lowell Sobel & Co. of Hempstead, N. Y., has been appointed state agents for New Jersey and Pennsylvania for Southern of Dallas, the automobile PHD specialist.

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State Regulation Is Success but Can Be Improved

(CONTINUED FROM PAGE 2)

he said, might well sponsor legal institutes on insurance regulation. The philosophy underlying the work of ABA in connection with the study of conflict of laws should be applied to insurance law. He urged the insurance section to be more vigorously affirmative in this, the field of regulation, and in other areas.

He cautioned that the competitive system, which gives rise to new poli-

cies and new practices which require control—a healthy process—sometimes leads to competitive practices which require governmental restrictions. The state insurance department must be alert to see that the public as well as the business gets the kind of protection it is entitled to in a changing economy.

Mr. Navarre believes there are a number of areas in insurance where the problems of the states are essen-

tially similar and where there should be uniform laws and administration. This will help provide better protection to the public and reduce the problems of companies doing a multi-state business which are sometimes needlessly harassed by requirement of complying with varying laws and administration. There should be a consequent reduction in the cost of doing business which would be for the benefit of the insurance buying public.

Also, he said, to the extent possible, states should seek to avoid extra-state regulation. Each state must protect its

own citizens, and in doing so it is sometimes necessary to control acts which take place beyond the state's border. But, Mr. Navarre believes, the state should be careful to go no further than necessary to protect its interest. Each state should avoid extra territorial regulations which bear no close relationship to those interests in fact. Otherwise, the state imposes unnecessary hardships on companies as well as impinges on the rights of other states.

He warned that if state regulation falters, the people may decide that the federal government should undertake insurance regulation. He does not believe this will happen, but avoiding it is a task which requires the best efforts of all concerned.

Browne Sets up Own 'Ad' Agency in N. Y.

Norris P. Browne, formerly executive vice-president of Allston Associates, has opened his own advertising agency at 115 West 44th street, New York City. The new agency, Browne Advertising, will specialize in insurance advertising and public relations.

Mr. Browne joined Allston Associates in 1955 as account executive in charge of fire and casualty accounts. Six months later he was elected executive vice-president and assigned the responsibility for servicing all insurance accounts in the agency. He has served as assistant advertising manager and superintendent of the publicity department, Aetna Fire group, assistant to the vice-president in charge of public relations and advertising, Ins. Co. of Texas group, and sales promotion manager for A&S at American Casualty.

He was a newspaper reporter for 12 years prior to his army service in World War II. He worked on newspapers in the U. S., Mexico and Australia and for a wire service in China.

Pa. Board Rules Liberty Mutual Liable for Fee to Lawyer in WC Case

The Pennsylvania workmen's compensation board has ruled that insurers are liable for attorney's fees in WC cases when the referee rendering an initial decision so directs.

The board rejected an appeal in the WC case of Irvin J. Schaeffer vs Valley Forge Associates, which protested payment of 25% of a \$17.78 weekly partial disability benefit as part of the order, adding \$4.45 a week to the liability of the insurer, Liberty Mutual. In a third party proceeding in the case, the appeal pointed out, attorney for the claimant already had received an \$879 fee.

The board said there was no precedent in state courts for this legal question, but noted that the U.S. district court at Philadelphia recently held that any recovery in third party proceedings over the amount which would be paid back to the insurer should be treated as an advance payment by the employer on account of any future installments of compensation.

Bennett Joins Hull Staff of AIU Marine Agency

American International Marine Agency has appointed Robert M. Bennett to the hull underwriting staff. Until recently he was hull secretary of Wm. H. McGee & Co. He entered the marine underwriting field in 1946.

American General of Houston has been elected to membership in Surety Assn. of America, bringing its membership to 80.



Jump in Municipal Liability Poses Tough Problems

(CONTINUED FROM PAGE 6)

dotes in the form of subsequent court decisions and, in addition, by way of local legislation designed to overcome some of the effects of the decision. There have been several recent decisions by the state's intermediate court of appeal to the effect that, despite the Loughran decision, municipalities are not liable for trivial defects in sidewalks. As to when a defect is so trivial as not to come within the Loughran decision is debatable. Thus far, the cases have excluded from municipal liability instances in which there was a one-inch difference in height between two slabs of concrete; or where paving material ended and overlapped a concrete sidewalk with a difference in height of between one-quarter and three-quarters of an inch.

By way of legislation, many municipalities have enacted local laws providing that the municipality shall not be liable for sidewalk defects unless it has received prior written notice of the defect. The constitutionality of such legislation was upheld in *Fullerton vs Schenectady*. Such legislation, which has been adopted by many localities in the state, has the practical effect of insulating municipalities against sidewalk claims even more effectively than the four-inch rule. While it may seem drastic on its face, the local legislation has been the municipalities' attempt to counteract the extremely heavy burden which would otherwise be imposed on them by recent court decisions.

In 1937, the New York legislature enacted section 50-d of the general municipal law, imposing liability on municipalities for negligence of physicians and dentists rendering services gratuitously in a public institution. At the time of the enactment of this section, hospitals generally were liable for negligence in administrative, as distinguished from medical acts, and were not liable for negligence on the part of physicians or dentists on their staffs on the theory that *respondeat superior* did not apply to the relationship between a physician and a hospital. Section 50-d thus imposed on municipalities a liability greater than that of private hospitals since it rendered them liable for negligence in medical treatment by physicians or dentists performing services for ward patients in municipal hospitals.

Liability of municipalities under section 50-d was held to apply only to the acts of physicians or dentists rendering such gratuitous services, i.e., it did not apply in the case of paid internes or residents on the hospital staff performing medical acts. The effect of this holding was overcome by the enactment of an amendment to section 50-d.

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Subsequently, on Jan. 10, 1957, the court of appeals held, without reference to section 50-d, that municipalities were liable for and must respond in damages for negligence on the part of all physicians or employees in municipal hospitals, whether such negligence related to a medical or administrative matter. This municipal liability for the

operation of hospitals was far greater than that of private hospitals.

However, on May 16, 1957, the court of appeals rendered a similar decision affecting private hospitals. That case wiped out the old rule as to non-liability of hospitals for medical acts on the part of physicians on the hospital staff. It held that the doctrine of *respondeat superior* applied to all hospitals. Hospitals were therefore held responsible for the negligence of physicians and others on their staffs in performing medical acts. The position of municipal and private hospitals was equalized.

The broadening concept of tort liability and the outlawing of defenses formerly relied on by defendants raise questions of wide implication, Mr. Brown observed. It has been suggested the whole theory of liability based on negligence should be disregarded for compensation for injuries regardless of fault. This is the workmen's compensation theory, and it has often been proposed for automobile accidents.

Robert W. Blakesley, who for eight years has been with Home Indemnity of Milwaukee, has joined the R. A. Candee agency there.

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EDITORIAL COMMENT

Time to Act on Rates Is Right Now

Without tending to view with alarm, overstate the case, or exaggerate the consequences, it does seem to us that the fire companies are not organizing to carry on a militant, aggressive, concerted drive to obtain an increase in rates. It would be inaccurate to say that nothing is being done, but at the present rate of progress it could be years before the companies get rate increases country-wide.

This is a matter of the highest importance. It should take precedence over everything else. Companies which are giving their major attention to such problems as careful underwriting, savings in expenses, elimination of chronically unprofitable agents or territories should realize that these will provide only minor and perhaps merely temporary relief. The problem is too big and growing to be solved by such expedients.

Some company officials seem to be too timid to ask for what they know they should have. They are overly cautious. They appear to believe that if the various commissioners are asked to approve rates that would be no more than fair and adequate there would be some sort of unfavorable public reaction and perhaps strong disapproval.

We do not share this opinion. If there ever was a time when a general rate increase of at least 10 to 15% was justified it is right now. Looking back over the past 40 years, it can be said that fire companies generally have never sustained such a disastrous and overwhelming experience as in 1956, and loss ratios in the first half of 1957 are worse than last year. Companies are losing millions and millions of dollars on their underwriting, even when the utmost care is taken in the accept-

ance of business.

Corporation officials are often quoted as saying, "There is nothing the matter with our company that a nice increase in business won't cure." That is not true of the fire insurance business today. So far as most companies are concerned, more business would only bring more losses and a higher loss ratio because the fire insurance companies are not getting enough money for the product they sell. Inadequate rates, higher costs of everything involved in the conduct of the business, and a continuing inflation has wiped out the margin of profit.

It might be truly said that most fire companies are in peril. If the present high loss ratios continue, and there is no indication that they will not, at the present rates being charged the fire companies will find with the passing of time that their surpluses will be depleted. Finally capital would be impaired. This is not a silly or ill considered statement. Companies which lost from \$5 million to \$25 million on their underwriting last year do not have the surplus funds to carry them through very many more such years.

Does anyone seriously believe that when these facts are presented to insurance commissioners they will be adamant, unyielding and completely indifferent to the demonstrable plight of the fire insurance companies? We do not, but we do believe that the companies must bestir themselves, go into action, recognize the tremendous importance of the problem and act. The case for rate increases is a strong one, a convincing one, and is more than likely to be listened to with sympathy and understanding. But the time to move is now.—Howard J. Burridge.

The Value of Summer Fellowships

Encouraging evidence of the constantly improving relationship between insurance companies and college insurance teachers is the annual summer fellowship program now under way for the seventh year at the home offices of 23 life, fire and casualty companies in the United States. Under the program, which has many benefits for both industry and educators, 28 insurance professors are working from four to six weeks in the home offices to obtain first-hand knowledge of the problems, procedures, policies and philosophies of their host companies.

The fellowships have drawn enthusiastic response from the professors and the companies have had words of praise, too. American Assn. of University Teachers of Insurance sponsors the program in conjunction with LIAMA, Health Insurance Institute, Assn. of Casualty & Surety Companies, American Mutual Alliance and National Board of Fire Underwriters.

An important benefit of the program is the fact that professors who have held the fellowships almost inevitably serve as centers of influence, not only with their students but also with their fellow faculty members. With their colleagues at the Faculty Club their

views are likely to be heard and respected because they got them at first hand.

While not imbued with the salesmanship or enthusiasm of an agent, these teachers are in a position to give an authoritative inside story of how insurance companies operate. Their practical summer experience lends force to their words.

The influence of the insurance teachers may tend to straighten out some erroneous ideas held by some faculty members who may be suspicious of big business, big insurance companies included. This is important because it is surprising how much misinformation intelligent people—even college professors—can collect about the various forms of insurance.

Practical experience will strengthen insurance professors as teachers because on-the-job experience is a valuable supplement to reading and research. The practical experience can add to their store of information and help them lecture more effectively and knowingly to their students.

Men who have worked with the summer fellowship program feel the home office work helps the professors become better teachers because the

on-the-job experience gives them a "feeling" for the business which cannot be found in textbooks.

Of course, the benefits are not all to the students and teachers. Management people in the companies get a chance to talk with the professors and learn what the academic world thinks of them. From these outsiders may come ideas and suggestions that will help improve procedures or solve problems.—John B. Lawrence Jr.

PERSONALS

Louie Miller Jr., who recently resigned as insurance commissioner of

West Virginia, has been elected president of West Virginia Life, a newly chartered subsidiary of West Virginia Insurance Management Corp. of Huntington and Charleston. He also has been appointed state agent of W.J. Perry Corp. of Staunton, W. Va., representing Maryland Casualty, Century, Pacific Coast, Maritime, and Quaker City F&M. in West Virginia.

Louie Miller Jr.

Maryland Casualty, Century, Pacific Coast, Maritime, and Quaker City F&M. in West Virginia.

E. R. Frey, manager of the Philadelphia office of Pearl, is retiring under the company's retirement plan Sept. 1. He has been with the group more than 22 years.

W. Ayton Cox, of the G. D. Capen & Co. agency of St. Louis, is recovering at his home after undergoing surgery at DePaul hospital there. Mr. Cox for many years was wielder of St. Louis pond of Blue Goose.

North Carolina Assn. of Mutual Insurance Agents has selected **T. A. Williams Jr.** of Raleigh as winner of its field service award. He is resident manager of John Ratterree & Co., Greer, S. C., general agency and company management firm.

J. K. Woolley, who retired July 1 as manager of Washington Surveying & Rating Bureau, was honored at a luncheon sponsored by King County Insurance Assn. and Washington Assn. of Insurance Agents. Mr. Woolley, a veteran fire insurance rating authority and author of the general basic schedule, was praised by Commissioner Sullivan of Washington for his years of service to the industry. Mr. Woolley was credited with preserving a stabilized fire rating structure in Washington.

Robert J. Kille, special agent for Hartford Fire in western Kansas since 1951, will become secretary of Kansas Bankers Assn. Sept. 1. He is a past president of Kansas Fire Prevention Assn. He started in insurance with Hartford fire at Chicago in 1948.

A 21' Chris-Craft cabin cruiser belonging to **F. A. S. Kautz**, manager of Ohio-Kentucky Adjusting Co., burned and went down in the Ohio river. Mr. Kautz, who was alone, had just piloted the boat away from a boat-yard when the fire broke out. He fought the blaze with a hand extinguisher but had to go over the side when it became apparent the fire was out of control. The loss, fully insured, is estimated at around \$2,500.

DEATHS

CRAWFORD GORDON SR., 74, vice-chairman of the Canadian boards of Norwich Union Life and Norwich Union Fire, died of a heart attack while on vacation at Charlottetown, P.E.I. He had been with the two insurers nine years, and previously was with Canadian Bank of Commerce.

NORMAN D. REYNOLDS, 56, former manager for Western Adjustment at Lansing, Mich., died. He also had served as legislative representative for Michigan Assn. of Life Underwriters.

DUDLEY C. COVERLEY, 60, manager of Mutual Benefit H.&A. at White Plains N. Y., died after an operation in New England Baptist hospital in Boston.

DAVID A. CRICHTON, 68, an agent at Great Falls, Mont., for many years, died after an illness of a month. He organized the D. A. Crichton general agency in Great Falls in 1921 and in 1950 sold his interest to J. M. Sogard. Mr. Crichton retired in 1952.

WILLARD H. JOHNSON, 55, engineer and editor of National Board in New York for 17 years, died suddenly at his home in Summit, N.J. At National Board he was office engineer in charge of editing reports based on municipal fire protection surveys and miscellaneous and special problems in the same area.

GEORGE W. YUENGLING, 80, local agent at New Canaan, Conn., died in Princeton, N. J., after a brief illness.

WALLACE REID, 87, who recently retired as head of the New York City brokerage firm bearing his name, died in St. Luke's hospital, New York City. He was at one time chairman of the committee of Fire Patrol of New York and had served on Fire Patrol of New York Board, and had served as a director of American, Camden Fire, Fire Association, Westchester Fire and Manhattan F.&M. He was a charter member of Insurance Society of New York.

America Fore Loses \$26 Million in 6 Months

(CONTINUED FROM PAGE 1) Fidelity-Phenix, increase \$4,179,361; \$62,813,010 for Niagara, increase \$15,177,536, and \$59,552,518 for Fidelity & Casualty, a decrease of \$3,933,135.

The statutory underwriting losses for each of the four companies for the period were Continental \$5,354,926, Fidelity-Phenix \$4,036,181, Niagara \$8,690,128, and Fidelity & Casualty \$6,633,586. This compares with losses in the first six months of 1956 for the four companies, respectively, of \$3,236,674, \$2,839,682, \$2,898,298, and \$528,884.

Assets at market for all companies at June 30 were \$1,328,933,155, increase \$34,196,506 over Dec. 31. Total policyholders surplus at June 30 was \$915,733,525, increase \$4,174,701 over Dec. 31.

On a consolidated basis eliminating the duplication of affiliated companies, assets at June 30 were \$1,060,206,343, increase \$36,292,200 over Dec. 31, and total policyholders surplus at June 30 was \$647,096,713, increase \$6,270,395.

By individual companies, assets as of June 30 were: Continental, \$432,845,043, increase \$9,341,708 over Dec. 31; Fidelity-Phenix \$395,366,738, increase \$11,275,649; Niagara \$222,155,828, in-

crease \$14,621,257, and Fidelity & Casualty \$278,565,547, decrease \$1,042,108.

Policyholders' surpluses at market as of June 30 were: Continental \$331,962,688, increase \$2,170,191 over Dec. 31; Fidelity-Phenix \$215,134,023, increase \$4,100,202; Niagara \$145,495,939, decrease \$2,665,634, and Fidelity & Casualty, \$123,140,875, increase \$569,942.

For the four companies the loss ratio to earned premiums and the expense ratio to written premiums were as follows: Continental 62.9 and 46.4; Fidelity-Phenix 64 and 44.7; Niagara 53.6 and 50.8, and Fidelity & Casualty 84.2 and 30.

The new investment income of all companies increased in the period over the like 1956 period. It totaled \$17,107,026 for the four insurers.

In his report to stockholders, Mr. Herd stated there was little in the current picture to encourage expectation of better underwriting results in the near future. Property claims are continuing at an unprecedentedly high volume and intensity. Unprofitable results in automobile reflect the high incidence of automobile casualties, he said. Third party coverages such as automobile BI and PDL were the principal offenders, although another expensive source of claims during the first six months of 1957 was flood damage to automobiles at many points throughout the country.

Pacific Board Reminds Producers of Need for Insurance to Value

The Pacific Board is mailing producers on the west coast a series of bulletins stressing the need for obtaining insurance to value.

The first bulletin points out that an underinsured client will look first to his agent for an explanation as to what

What will YOU tell a client who's lost his shirt... and house, too... because YOU left him with his coverage down!



It won't matter much. No excuse will be good enough. Clients today expect their agent or broker to keep them informed as to insurance to value.

The Situation is Critical! The above scene is happening with increasing frequency. Every recent survey taken has shown the great majority of dwellings underinsured—and an appalling inadequacy of contents coverage. This was the reason for the nationwide "underinsurance" advertising campaign of the National Board of Fire Underwriters.

The follow-up is up to you. Don't let your clients, your companies—and yourself—down. Start your campaign TODAY!

Everyone benefits by INSURANCE-TO-VALUE

policyholder
producer
insurer

Board of Fire Underwriters of the Pacific
120 California Street San Francisco 4

happened. The campaign reminds producers that while the advertising campaign of the National Board has focused attention on the subject of insurance to value, it takes the contact of an agent or broker to produce results.

The second bulletin, to be mailed shortly, will contain facts and figures on rising replacement costs and will be available at a nominal cost for mailing to insured.

F. George Macke, who has been with the Charles L. Crane agency of St. Louis since 1919, has been elected secretary to succeed the late Arthur J. Hunt-hausen. Mr. Macke started in insurance as an office boy for the Delafield & Snow agency in 1914.

Toale, Security's N. Y. Manager, Joins Home's N. Y. N. J. Unit

Eugene A. Toale, former manager of the New York office of Security of New Haven, has joined the New York metropolitan department of Home as associate manager.

Mr. Toale has been in the business since 1936. In 1952 he was made director of education and research of National Assn. of Insurance Agents and in 1954 was elected assistant sec-

retary of that organization. He was elected president of the New York state CPCU chapter in 1952 and this year was made general chairman of the CPCU 1957 convention in New York.

The Senate has passed and cleared for the President the bill to authorize Federal Crop Insurance Corp. to provide reinsurance of any crop or plantation insurance written in Puerto Rico by a duly authorized agency of the insular government. Coffee is the principal crop concerned.

A Partial List of Coverages

ACCIDENT AND HEALTH

Attractive Commercial Programs
Auto Clubs—Aviation Accident
Blanket Medical Expense
Camp and Student Plans
Cancer and Dread Disease
Credit Disability
Group and Franchise
Guaranteed Renewable
Key Man
Major Hospital & Medical Expense
(Group and Individual)
Special Risks
Student Protection
Trip Accident including Baggage
Volunteer Firemen Plans

AUTOMOBILE

All forms of coverage on commercial and private cars including Death and Disability; Uninsured Motorist
Composite and Retrospective Rating for Fleet and Commercial Business

BURGLARY & PLATE GLASS

Accounts Receivable
Burglary & Robbery
Comprehensive Property Policy
"M" Policy (One contract eliminates 15 standard forms)
"MSM" (Money, Securities, Merchandise)
"3-D" Comprehensive Crime
Valuable Papers

FIDELITY AND SURETY

Contract Bonds
Court Bonds—Judicial, Fiduciary
Fidelity Bonds
Forgery Bonds—Depositors
License and Permit Bonds
Miscellaneous Surety Bonds
Public Official Bonds

FIRE

Additional Living Expense
Builders Risk
Business Interruption
Extended Coverage
Leasehold Interest
Legal Liability
Multiple Location Forms
Profits and Commissions
Rent Insurance
Sprinkler Leakage

GENERAL LIABILITY

All forms of Comprehensive Personal and Commercial Liability
Boiler and Machinery
Composite and Retrospective Rating
Contractual & Elevator Liability
Errors and Omissions
Farmers' Liability
M. & C.-O.L. & T. Liability
Malpractice & Professional Liability
Products & Protective Liability

MARINE

Agricultural Machinery
Bailees' Coverage
Commercial Hull
Contractors' Equipment
Installment Sales Floaters
Jewelry, Furs, Cameras
Miscellaneous Floaters
Ocean Cargo
Personal Property Floater
Protection and Indemnity
Transportation
Yacht

MULTIPLE PERIL

Comprehensive Dwelling
Comprehensive Property Policy
Homeowners

WORKMEN'S COMPENSATION

AMERICAN CASUALTY COMPANY

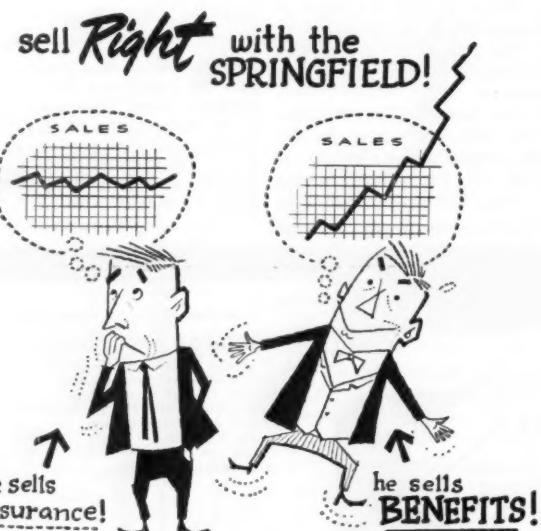
READING

Affiliate Companies

AMERICAN AVIATION & GENERAL

VALLEY-FORGE LIFE

Unusually Attractive Facilities



SPRINGFIELD FIRE AND MARINE INSURANCE COMPANY • SPRINGFIELD, MASS.
NEW ENGLAND INSURANCE COMPANY • SPRINGFIELD, MASS.
MICHIGAN FIRE AND MARINE INSURANCE COMPANY • DETROIT, MICHIGAN

Philadelphia Is ML Office for Chubb

Chubb & Son is expanding its service at Philadelphia, heretofore limited largely to underwriting fidelity and surety bonds. The expansion program contemplates the handling of all lines under the direction of Dunning Lennihan, who will assist Earl Hohbein, manager.

Mr. Lennihan has worked with agents in the Philadelphia area. He has served in several departments of the head office.

Brooklyn Operations of Hartford's Consolidate

The Brooklyn branch operations of Hartford Fire and Hartford Accident have been consolidated under the general management of William F. Drew, present manager of Hartford Accident. Charles P. Buschmann, assistant manager there of Hartford Fire, becomes assistant manager of Hartford Accident also.

Some of the internal functions of the Brooklyn branch will be combined into single units, but underwriting will continue to be handled separately as respects fire and casualty.

New NAII Brochure

A brochure entitled "The Role of National Assn. of Independent Insurers" has been produced by NAII for its members. It brings up to date the story of NAII since it was founded in 1945. On the inside back cover is a pocket in which is enclosed a pamphlet listing the members of the organization, the subscribers, the board of governors and officers.

Note is made of the fact that NAII will move in 1958 to the Inland Steel building in Chicago when that structure is completed.

Insurer Wins Auto Bailment Lease Case

DAYTON—Montgomery county common pleas court here upheld Buckeye Union in a denial of automobile physical damage coverage because of an undisclosed encumbrance on an insured trailer.

Norman Cox, George Cox and Clarence Steiner owned a house trailer which had a balance of \$1,560 due the City Loan & Savings Co. They made an agreement with Ted Lewis and Frankie Lewis whereby the Lewises would take over the payments and get possession of the trailer, title to remain with the Coxes and Steiner and insurance also to remain in their names, both until the balance was paid. The contract also provided "in case of loss to the trailer, parties of the second part (the Lewises) shall receive that part of insurance in proportion to amount parties of the second part will have paid." Buckeye Union, which wrote the physical damage insurance, was not notified of this contract.

A fire loss occurred and Buckeye Union, learning of the encumbrance, paid City Loan & Savings Co. for the damage to its interest, but denied coverage as to the other parties. The loss occurred in 1954 and the policy provided it did not cover "while the automobile is subject to any bailment lease, conditional sale, mortgage or other encumbrance not specifically declared and described in this policy." The insured argued that this contract, which they called an "assumption of payment agreement," was not a conditional sale because the Lewises could cease making payments and turn the trailer back to the other parties any time they wished. Judge Martin, after reviewing definitions of the encumbrances mentioned in the policy, held that the transaction amounted to a "bailment lease," whether or not it was a conditional sale, and hence that the exclusion applied.

In the 1955 revision of automobile policy provisions, the expression "purchase agreement" was added to the list of encumbrances in the exclusion, so that the insurance company's case would probably have been stronger under that version. The family automobile policy has no exclusion of encumbrances.

Alexander & Alexander Shifts Chicago, N. Y. Men

John S. Grasty Jr., vice-president at Chicago of Alexander & Alexander, has been named to the newly created post of vice-president and operating manager at New York. F. S. Schmidt, vice-president at New York has been assigned as vice-president and operating manager at Chicago.

Mr. Grasty has been with Alexander & Alexander at Baltimore and Chicago for 20 years and Mr. Schmidt has been with the brokerage firm for 30 years in New York.

Egypt Sets Up Reinsurer

The Egyptian minister of finance has announced the formation of Egyptian Reinsurance Corp., a joint stock company with a capital of 500,000 Egyptian pounds. The shares will go to Egyptian insurers and other institutions concerned with the insurance business. The government will be interested in the reinsurer through United Ins. Co. The corporation will be the reinsurance center for all insurers and will retrocede acceptances from abroad with Egyptian insurers. The indication is that Egypt hopes to save 500,000 pounds a year on exchange by this proposed rearrangement of reinsurance transactions.



Ohio Farmers Companies

OHIO FARMERS INSURANCE COMPANY • Chartered 1848
OHIO FARMERS INDEMNITY COMPANY



EASTERN DEPARTMENT, Philadelphia • • • PACIFIC COAST DEPARTMENT, Los Angeles

Le Roy, Ohio

Miss. Report Shows Auto Base Now 1A. Deviations Given

The automobile liability rate filing of National Bureau of Casualty Underwriters which the Mississippi department now has under consideration, in addition to calling for the 25% increase on BI and 12% on PDL, changes the basic rate from class 3 to class 1A.

The Mississippi department has approved a 15% deviation filing by Norfolk & Dedham Mutual on miscellaneous casualty lines normally attached to fire policies. The department also has approved a filing by American Casualty of a form which permits the company to write the accountants' liability for prior acts at a rate of 25% of the basic premium.

Mutual Insurance Rating Bureau and National Bureau have received approval for use of the basic auto liability form on assigned risks even though such risks are eligible for the family automobile policy.

The department also has approved a 20% deviation on dwelling classes for Washington F.&M. on dwelling classes. The information submitted by the company in support of the fire filing shows that its countrywide experience for the latest available five years was an underwriting profit of 33%.

American Fire & Casualty of Orlando has received approval for its 15% deviation on fire and extended coverage and its 10% no accident or no loss credit on most other lines, including liability.

The department has compiled an underwriting gain or loss exhibit on those companies which deviate from the rates of Mississippi State Rating Bureau. These figures are as follows, the first figure being the countrywide gain or loss, and the second figure the statewide gain or loss. Unless otherwise specified, the figure is a gain:

American Druggists, 38.4 and 24.4%; Badger Mutual, 5.3 and 10.9%; Cambridge Mutual, 15.3 and 54.5%; Casualty Reciprocal Exchange, 2.3% loss and 44.8%; Commercial Standard, 6.1% loss and 27.1%; Employers Mutual Casualty, 8.3% loss and 63.6%; Farmers & Merchants, 9.9% loss and 55%; Fire & Casualty of Connecticut, 35.9% loss and 52.9%; Harford Mutual, 8.6% and 21% loss; Implement Dealers Mutual, 3.3 and 24.5%; Interstate, 1.4 and 3.2%; Lititz Mutual, 8.3 and 2.8%; Lynn Mutual, 9.3 and 56.4%; Mount Joy Mutual, .6 and 49.3%; Norfolk & Dedham, 19.8 and 17.4%; Perkiomen Mutual, 11.4 and 32.5%; Quincy Mutual Fire, 18.1 and 64.4%; Shelby Mutual, 5.3% (no business in Mississippi), and Western Millers Mutual, 11.6 and 32.9%. Deviations for these companies were approved except for Harford Mutual.

N. J. Casualty Men Elect

Casualty Underwriters Assn. of New Jersey at its annual meeting in Newark elected Paul S. Parris of Fidelity & Deposit president, John T. Kelly Jr. of Ohio Casualty vice-president, Andrew Nelson of American Casualty treasurer, and Bernard Schneider of Royal-Globe group secretary. Raymond W. Clarke of American, retiring president, was named chairman of the executive committee, and other members are George A. Paul of Fireman's Fund and Thomas J. Debolt of Glens Falls. All are of Newark except Mr. Nelson and Mr. Schneider, whose offices are in East Orange.

Insurance Women of Racine, Wis., have installed Ethelmae McGaughey as president, Mrs. Lillian Kroes vice-president; Catherine Pleskorn secretary; Donna Love treasurer, and Kay Bonini and Grace Benson directors.

National Fire Group Raises Denne, Swift, Arnold and Breeding

National Fire and Transcontinental have advanced R. G. Denne and C. W. Swift to secretaries, and H. L. Arnold and R. D. Breeding to assistant secretaries.

Mr. Denne joined National Fire in 1946. He was elected assistant secretary in 1952. He continues as associate counsel of the group.

Mr. Swift joined National in 1940. He served as a field man in West Virginia, New Jersey, Massachusetts and western Pennsylvania before returning to Hartford in 1953 as agency superintendent and later assistant secretary. He continues to be responsible for planning and methods.

Mr. Arnold has been identified with the underwriting and brokerage operations at the home office virtually his entire business career. He joined the company in 1920, became superintendent of brokerage in 1946 and executive fire underwriter in 1956. As assistant secretary he will continue in charge of brokerage and fire and allied lines underwriting for the eastern department.

Mr. Breeding joined National Fire in 1954 as marine supervisor at New Orleans. He was promoted to marine superintendent at the home office in 1956 and was advanced to marine manager earlier this year. He has responsibility for marine-multiple peril operations.

Herbert F. Johnson, chairman and president of S. C. Johnson & Son Inc., and Dr. John T. Rettaliata, president of Illinois Tech, have been elected directors of American Motorists. Willis H. Booth, director of International Business Machines Corp., and Robert H. Campbell, director of Ohio State Life and Lumbermens Mutual of Mansfield, O., have been elected directors emeritus of American Motorists.

Celina-ize YOUR AGENCY

National Mutual and Celina Mutual

Let These Versatile Agency Companies Help You Increase and Protect YOUR Business

- ★ Liberal Commissions
- ★ Truly Competitive Rates
- ★ Multiple Peril Facilities
- ★ Standard Policies—Dividend or Deviating Basis
- ★ Prompt and Courteous Service to You and Your Insured wherever You Are.
- ★ Friendly Companies, Financially Strong and Dedicated to the American Agency System

Agency Contacts Solicited in Ohio, Indiana, Kentucky, Maryland, Michigan, Pennsylvania, West Virginia, and Virginia

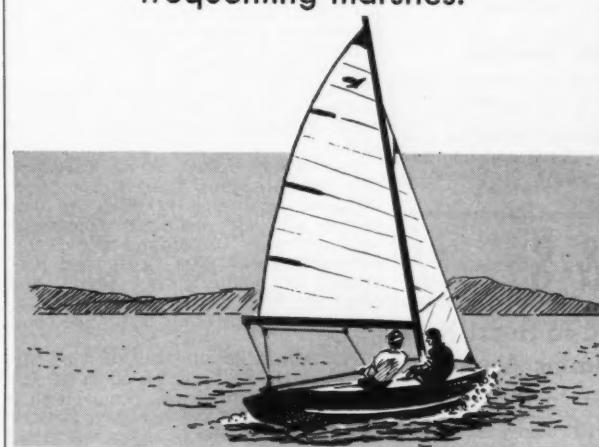
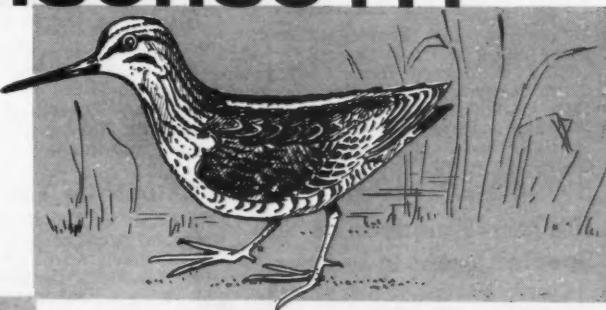
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nautical nonsense...

Landlubber says "SNIPE" is a kind of gamebird frequenting marshes.



Yachtsman says "SNIPE" is one of the most popular one-design classes in the world.

From their early days the Boston and Old Colony have specialized in writing all types of marine insurance. BIG* Agents say: "It's good sense to write with the Boston Insurance Group."



BOSTON INSURANCE GROUP

BOSTON INSURANCE COMPANY
OLD COLONY INSURANCE COMPANY

87 KILBY STREET, BOSTON, MASS.



FIELD

Great American Names Graves at Duluth, Minn.

Great American group has appointed Norman D. Graves state agent at Duluth to service territories in Minnesota and northern Wisconsin formerly handled by Earl A. Munson and Eldon G. Hall, who have been transferred to the western department at Chicago. Mr. Graves, who has been in Nebraska and Kansas, joined the company in 1941.

Coverages written on an application basis in Wisconsin will continue to be issued from the Milwaukee service office, and those in Minnesota will be issued from Minneapolis.

Central Mutual Appoints Three Special Agents

Central Mutual has appointed Edwin F. Mitchell special agent in southern California, Arthur S. Gay Jr. special agent in northeastern Massachusetts, and Leonard C. Leen special agent in the Maine and New Hampshire territory.

Mr. Mitchell joined the company in 1956 at Los Angeles as an engineer. Mr. Gay, who has been in insurance since 1948, is secretary-treasurer of Boston chapter of CPCU. Mr. Leen has been a special agent in eastern Massachusetts for another company.

Hartford A.I. Names

Field Men in Ohio, Tenn.

Hartford Accident has appointed two special agents in Ohio and Tennessee territory supervised by Cincinnati. Edwin M. Thomasson has been assigned to central Tennessee, traveling out of Nashville. Robert L. McNabb has been appointed special agent for eastern Ohio with headquarters at Columbus.

Mr. Thomasson has been with Hartford Accident since 1947 in the payroll audit department, latterly as a field auditor at Miami and Greensboro.

Mr. McNabb joined the company last May and has completed studies at the company's home office.

Minn. Fire Prevention

Assn. Names Rosengren

Minnesota Fire Prevention Assn. at its annual meeting at Brainerd elected John P. Rosengren, Glens Falls, president; Maurice W. Strouts, Hartford Fire, Leonard Hagen, Providence Washington, and Albert G. Johnson, Aetna Fire, vice-presidents, and George L. Archambault Jr., Sun, secretary-treasurer.

Hill Joins American as Special Agent in Indiana

Charles Hill has been appointed special agent in the South Bend office of American. For six years he was with Indiana Audit Bureau. Prior to joining American he was special agent of Home.

South Texas Pond Elects

South Texas pond of Blue Goose has elected E. A. Stumpf, Southwest General, MLG; Justin T. Crane, Home, supervisor; H. P. Cabness, Trinity Universal, custodian; W. O. Coles, guardian; T. W. Brooks, Fireman's Fund, keeper, and R. P. Kennedy Jr., wielder. Mr. Stumpf and D. M. Pollard Sr. were elected delegates to the Grand Nest to be held in August in New Orleans.

Down to Join Agency

Paul W. Down, manager in Indiana for Commercial Union-Ocean group, will join P. K. Morrison & Co. agency of Muncie as vice-president Aug. 5. All of Mr. Down's 17 years in insurance have been with the Commercial Union, first at the home office, then six years

in Ohio and two years in Indiana. He has been a member of the executive committee of Indiana Fire Underwriters Assn. and is chairman of the IFUA's annual caravan.

Phoenix, Conn., Shifts in N.M. and at Kansas City

Jack L. Stiegelmeier, special agent of Phoenix of Hartford group in New Mexico, has been named to succeed State Agent Bill B. Johnson. The field is under District Manager Henry W. Schwartz, Denver. Mr. Johnson goes to the Kansas City district office.

Mr. Stiegelmeier joined Phoenix in 1955 and upon completion of the home office training school transferred to Denver. In August 1956 he was appointed special agent in Albuquerque.

Miss. Field Men Elect W. E. Godwin President

Mississippi Fieldmen's Assn. has elected Wesley E. Godwin, W. A. Sullivan general agency of Jackson, president; Robert G. Marchetti, Aetna Casualty, vice-president, and Robert L. Stone Jr., Boston, secretary-treasurer.

Aetna Fire Names Battey Special Agent at Denver

Aetna Fire has appointed Arthur F. Battey special agent with headquarters at Denver. He is a graduate of the company's multiple line training school and has been in the Illinois and Ohio fields.

Holland-America Names Hunter in Okla. Field

Holland-America of Kansas City has appointed Clyde Hunter as field representative for Oklahoma. For 10 years he has operated his own agency in Pryor, Okla. His headquarters will be in Pryor.

Emmerich of Security Joins Hanover in Pa.

Hanover Fire has appointed Howard S. Emmerich state agent in eastern Pennsylvania, with headquarters at Philadelphia. Previously he was in the Pennsylvania field for Security of New Haven.

Glasson Joins Indiana

William D. Glasson has joined Indiana, Consolidated and Cooling Grumme-Mumford as special agent in Indianapolis and Marion county. He replaces Thomas B. Barnes who has gone into the agency business.

Aetna Fire Tex. Special

Edgar O. Dollahite has been named special agent of Aetna Fire group with headquarters in Corpus Christi. He is a graduate of the group's multiple line training school for agents and has had more than seven years in the local agency field.

A & S

Keelan Named to Head New Milwaukee Claims Assn.

Michael H. Keelan, Catholic Knights, has been elected president of the newly-organized Milwaukee Accident, Sickness & Life Claims Assn. Other officers are: Carroll Lewis, Time, vice-president; Ethel Schmidt, Mutual Benefit H.&A., secretary, and Nolan R. Olson, Old Line Life, treasurer. Directors are Jean Carey, Association Ins. Co., and David Kelly, Continental Casualty.

No Heroes in Richmond?

Richmond Assn. of A&S Underwriters has given up its quest for a

suitable candidate for its annual "hero of the year" award.

The committee searched the town, but just couldn't find a candidate, according to H. Stanley Marmaduke of Atlantic Life, president of the association. "It just wasn't a good hero year."

Without a qualified hero, the association gave its award—a \$25 check—to a newly established poison information center.

IAAHU Names Six to Fill Board, Zone Posts

Six new men have been named to the board of International A&H Underwriters Assn. to replace retiring board members or to serve in areas that have been inadequately represented.

Glenn M. Brooks, vice-president and director of A&S for Southland Life, succeeds Emerson Davis as zone chairman for Texas, Arkansas and Oklahoma. Herman Hoskins, vice-president, Educators Mutual, relieves St. George Grinnan of zone chairman duties in West Virginia and Charles Ray, Associates Life, of similar duties in Kentucky. In addition, Mr. Hoskins will work to develop new associations in Tennessee.

Paul Raines, Hoosier Casualty, Des Moines, has relieved William Reinhorn, Massachusetts Bonding, as zone chairman in Iowa. Mr. Reinhorn will continue to supervise Nebraska. C. T. Tollefson, Mutual Benefit H.&A., Fargo, N.D., has taken over the Dakotas and Montana from Sig Bjornson, State Auto, who will continue as board member from Minnesota.

E. R. Werner, Business Men's Assurance, Albuquerque, will supervise association development in Arizona and New Mexico, and F. Kenneth Stoakes, Loyal Protective, Los Angeles, will be zone chairman for California. Mr. Stoakes succeeds Howard Nevonen, Washington National.

Hoosier Sues Employer, Claiming He Was Fired for Not Buying Blue Cross

A case test of the validity of corporation-union contracts requiring employees, as a condition of employment, to subscribe to and pay premiums on hospitalization and medical expense insurance is to be decided in the courts of Indiana.

The plaintiff, Clyde Rohm, Auburn, Ind., alleges he was fired in 1955 from his job at Dana Corporation, Auburn, because he refused to subscribe to so-called Blue Cross insurance written by Mutual Hospital Insurance Co.

Mr. Rohm claims damages of \$10,000, and seeks triple damages for a judgment of \$30,000 and attorney fees of \$3,000.

The case is based on an allegation that the defendant, Dana Corporation, impeded commerce between its employees and all insurance companies writing hospitalization and medical insurance, except Blue Cross, and prevented the plaintiff, Mr. Rohm, and other employees from engaging in commerce with such other insurance companies.

The suit originally was filed by Mr. Rohm in De Kalb circuit court at Auburn, but recently was removed to a federal court for the northern Indiana district at Fort Wayne at the request of the defendant.

Combined President to Head A&S Sales Team

W. Clement Stone, president of Combined of Chicago, will head a team of 12 regional and district sales managers in selling A&S coverages in Champaign-Urbana, Ill., in a four-day sales experiment. The plan is to give management a refresher course in selling.

STOCKS

By H. W. Cornelius, Bacon, Whipple & Co. 135 S. La Salle St., Chicago, July 1957	Bid	Asked
Aetna Casualty	143	Bid
Aetna Fire	65	66 1/2
Aetna Life	207	209
Agricultural	26 1/2	27 1/2
American Equitable	30 1/2	32
American (N. J.)	25 1/2	26 1/2
American Motorists	10 1/2	11 1/2
American Surety	18	19
Boston	30	31
Camden Fire	27 1/2	28
Continental Casualty	90 1/2	91 1/2
Crum & Forster com.	53 1/2	54 1/2
Federal	38	39
Fire Association	42	43
Fireman's Fund	52	53
Firemen's (N. J.)	39	40
General Reinsurance	47	48
Fins Falls	26	27
Globe & Republic	15 1/2	16 1/2
Great American Fire	34 1/2	35
Hartford Fire	150 1/2	152 1/2
Hanover Fire	36 1/2	37 1/2
Home (N. Y.)	41 1/2	42 1/2
Ims. Co. of No. America	106 1/2	108
Maryland Casualty	35 1/2	36
Mass. Bonding	29 1/2	30 1/2
National Fire	71	73
National Union	35 1/2	36 1/2
New Amsterdam Cas.	46	47
New Hampshire	39	40 1/2
North River	32 1/2	33 1/2
Ohio Casualty	21 1/2	22 1/2
Phoenix Conn.	66	67 1/2
Prov. Wash.	20	21
St. Paul F. & M.	59 1/2	61
Security, Conn.	26	27
Springfield F. & M.	43 1/2	44 1/2
Standard Accident	54	55 1/2
Travelers	83	84
U.S.F.&G.	66 1/2	67 1/2
U. S. Fire	22	23

Tenn. Agents to Meet Oct. 21-22 in Chattanooga

Insurers of Tennessee will hold its annual meeting Oct. 21-22 at the Read House, Chattanooga. The feature of the meeting will be a discussion and resolution of the association's advertising plans. The state public relations committee has outlined an extensive program costing about \$14,000 a year over the next three years. In addition, there is the NAIA program which the association is strongly supporting.

With two advertising programs, the question is what to do with both of them, and this will be discussed at the annual meeting. The Tennessee directors have instructed their PR committee to employ an advertising firm to coordinate the Tennessee program of "insurer insured" with the NAIA campaign, in order to continue the benefits which the group has had from its own promotion.

Fireman's Fund Wins S. F. Chamber Award

Fireman's Fund group has won the San Francisco Chamber of Commerce award of progress for its new home office building. The award is presented annually to companies whose major building programs have enhanced their areas of the city and have created new employment.

Cooney Files Answer

John R. Cooney, former president of Loyalty group, has filed an answer in Essex county court, Newark, denying that he misappropriated \$668,942 of company funds to his own use. The answer was in reply to a civil suit by Loyalty group, seeking to recover a total of \$668,942.

Mr. Cooney also was indicted by a grand jury in Essex county for allegedly converting \$161,206 in company funds to his own use. Trial of that action has been set for Oct. 21.

Insurance Women of Columbus, O., honored Miss Lillian F. Lane, newly elected treasurer of the national association and a member of the Columbus association. Among the guests was Miss Eileen Cleary of Cleveland, director of Region IV of NAIA. Miss Frances Burnett, Mrs. Mary Bidlack, Miss Zora Wohleben and Miss Ruth Phillips were in charge of arrangements for the luncheon for Miss Lane.

N.Y. WC Rate Bureau Study Results Given

(CONTINUED FROM PAGE 12)

tion of a five year average is a realistic basis for obtaining reasonable loss development factors and that no change should be made in the procedure, particularly no temporary change. The board contends the use of a shorter period would tend to pyramid the effect of temporary conditions. However, the board did use the average of the three most recent policy years available in the 1956 general rate revision. Loss development factors include the experience of self rated risks while the policy year statistics used in the calculation of the over-all rate level and for classification relativity purposes are based on experience excluding such risks. This procedure seemed illogical to the examiner and he recommends that for accuracy and uniformity the calculation of loss development factors be based upon experience excluding self rated risks.

8. In the calculation of loss constants, self rated risks should be excluded from the total of risks above \$500.

9. It is questionable whether the 10% additional loading is necessary in calculating the present value of future payments in permanent total cases.

10. There is one cent per \$100 of payroll added to the manual rate for catastrophe losses, except window cleaning, where no charge is made, and dust disease, aircraft and explosives, where the charges are substantially in excess of one cent. A study should be made of all catastrophe charges as to their necessity or possible modification.

11. Rates for liability under admiralty jurisdiction apparently need review.

Following are the comments of the rating board:

1. The classification committee will study the possibility of eliminating or minimizing errors in store classification.

2. A preliminary study indicates the possibility that an adequate sampling of the present insurers' auditing results might achieve the objective suggested by the examiner without increasing the number of test audits.

3. The rates committee has voted to adopt the rule of National Council on Compensation Insurance on this subject, except that \$10,000 should be substituted for \$25,000 as the amount of standard premium above which retrospective rated risks may elect to limit its WC losses to within \$10,000. This will eliminate the charge for loss limitation for risks below \$10,000 and make the loss limitation optional for other risks.

4. The board's judgment is that the possibility of greater accuracy as suggested by the examiner is outweighed by the impracticability of the method to carry it out and the desire of insured to know in advance the indicated amount he is going to be charged. The rates committee has voted that hazard group assignments should continue to be based upon estimated rather than final audited premiums.

5. The rates committee has voted to reduce the ranges of discrepancy permitted in retrospective rating plan D for determining the basic premium factors from 1% to .5%.

6. Additional study is being made of this matter and further data is being asked from insurers.

7. Exclusion of self rated risks from calculation of development factors would make it impractical to use

composite year experience in development factor indications. Studies by staff indicate there is no substantial difference in development factors whether self rated risks are excluded from their calculations.

8. The rates committee has voted to exclude the experience of self rated risks from the calculations of loss constants for the latest year of experience and for any earlier years where such exclusion may be practical.

9. This has been referred to the actuarial committee for further consideration.

10. The rates committee has voted to reduce by 15% the over-all loading for dust disease exposure and will determine how the reduction is to be accomplished on individual classifications. The committee will review the matter again within five years.

11. This matter is being studied.

Greatly Expanding N. Y. Mutual Agents' Committees

Paul A. Garrick of Medina, president of Mutual Agents Assn. of New York State, and Roderick L. Geer, executive secretary, have revised and greatly extended the committee structure of the association. The trouble with most trade associations is that too few are doing too much for too many, Mr. Garrick said.

Appointments so far confirmed are legislative, Charles R. Kroeger of Norwich, chairman; anti-coercion, Thomas Coxsee of Minoa; agency management, Charles M. Wheeler of Mount Morris; public relations, John C. Rosenkrans of Seneca Falls and Martin R. Schneider of Canandaigua, co-chairmen; agency continuation, Clark V. Stafford of North Tonawanda; fire and traffic safety, Henry A. Smith of Utica; membership, Ira D. Keiter of Albany; downstate and Long Island association, George P. Tobler of Smithtown, and liaison, G. W. Milbrandt of Pelham.

The agency continuation program will include a program of high school scholarships to be awarded promising students for entrance into the agency business.

Tells How to Pay New Ohio Agents Exam Fee

Superintendent Vorys of Ohio, in a bulletin to companies, has told how the new agents examination fee of \$5 is to be collected.

On and after Aug. 20, all applicants for agents license must pay the examination fee by check or money order attached to the application. The Ohio department will not accept payment by the appointing company or agency, since the law creating the fee specifically prohibits such payment.

As a further guide, Mr. Vorys suggests that applications which will not be received by the department before Aug. 12 be accompanied by the fee, since those received after that date could not be processed and the examination given prior to Aug. 20, the effective date of the act. Applicants for licenses who have not paid the fee will be refused admission to examinations held after Aug. 19.

IASA Elects McWilliams in Ohio

Central Ohio chapter of Insurance Accounting & Statistical Assn. has elected Clifford McWilliams, Republic Indemnity, president; E. T. Landthorn, Automobile Club, secretary, and Richard A. Sellars, Motorists Mutual, treasurer. Messrs. Landthorn and Sellars and S. S. Kerr, Shelby Mutual, were named directors.

Continental Casualty, has opened an A&S branch office in Des Moines with A. D. Renner as manager.

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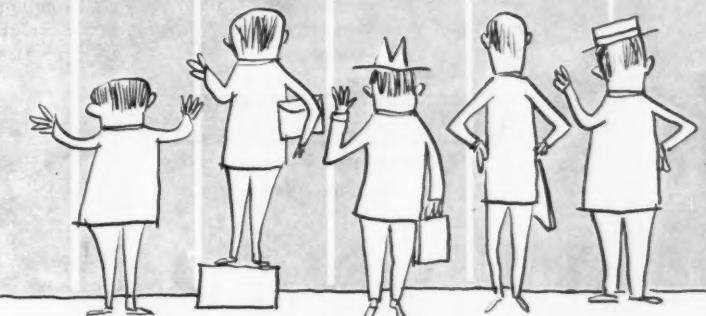


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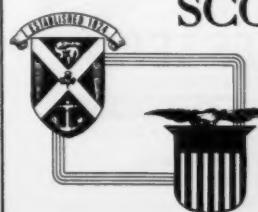
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Reinsurer in Tough Spot, Yount Tells Conference

(CONTINUED FROM PAGE 15)

10 years. This reflects not merely more power equipment but more valuable and complicated equipment resulting from the development of automation. Examples of the impact of this situation on insurance are General Motors' Lavonia fire and Standard Oil of Indiana's Whiting fire. In addition, the impact of U&O losses, now customarily insured, tends to increase geometrically with the direct loss arising from such events, because of the effect of the loss in curtailing the production of other plants which are dependent on using products manufactured by the primary plant.

A similar analysis can be applied to boiler and machinery, he added. The increased cost of automatic machinery and the increased importance of a single machine in the production process, not merely of the damaged plant but of dependent plants as well, have pyramidized losses from loss of use coverage. As a result, reinsurers are asked to furnish capacity for potential losses sometimes astronomical compared with coverage needed to protect against similar prewar losses.

In addition, he continued, new industrial processes and products are creating new catastrophe hazards. These hazards affect not only workers directly engaged in production but also the property or persons of the public. This is particularly true in the chemical and metallurgical industries. Here the demand for something new has occasionally outrun the ability of industrial technicians to provide for its safe development and use, so that insurers and reinsurers are asked for high limits of liability, high catastrophe potential, and occasionally have to meet an obligation to make high loss payments.

The latest illustration is the problem of providing insurance for public liability hazards arising out of the peace-time use of nuclear energy, he said. Two separate syndicates have been organized to write this insurance. They have pledged a net domestic capacity for third party coverage of approximately \$42 million, with the expectation of a total of \$60 million when world-wide foreign reinsurance can be brought into the picture. In addition, pools have been organized to write the physical damage coverage on nuclear installations for a total net domestic capacity slightly greater than the third party capacity, and this may also exceed \$60 million when supplemented by similar foreign

reinsurance. Changes of this magnitude bring new needs for insurance and force a reappraisal of the capacity of direct insurance and the world-wide reinsurance market.

Another item taxing the facilities of the direct insurers and challenging to reinsurers is products liability. Two factors have contributed to make this an area of particular importance. In addition to the increasing complexity and integration of industrial processes public attitude has changed on searching out the ultimate tort feasor. For example, take the commercial airplane and products public liability. When the Douglas DC-3 was introduced in 1935 the capacity of the plane was 21 with a crew of three, and the cost of the plane itself was less than \$200,000. Investigative procedure of the causes of crashes on airlines was elementary and the results of an accident generally eliminated any material which could furnish proof of the proximate cause.

The war brought a change in this situation. Investigative procedures developed rapidly until it was often possible from an analysis of what remained after an accident to reasonably determine the primary cause of the crash. This was the beginning of efforts to pass liability back to the manufacturer of the failing part directly responsible for the crash. The procedure has been perfected until today causal relationship can be established in many cases. At the same time, the costs of commercial air transport planes have steadily mounted until the newest type in use costs in excess of \$2 million. Such planes carry from 60 to 80 passengers with a crew of five. Jet transports to be delivered in 1958 will cost from \$4,500,000 to \$6 million, and will carry from 120 to 200 passengers probably with a crew of six.

Today, with inflated values for personal injuries, higher workmen's compensation claim costs and plane costs, the crash of an individual transport plane which can be attributed to a defective product for which the part manufacturer is allegedly liable may run as high as \$5 million, or 10 times prewar cost, he said. The new jet transports presently on order will more than double this potential cost. When to this one adds the indirect cost attributable to sister ship liability arising because of the forced grounding of similar planes with comparable defects, it is obvious that prod-

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ucts liability is a major problem to the air transport industry as well as to insurers and reinsurers.

Before the war, products liability claims arose principally from the manufacture and sale of foods, drugs, cosmetics and pharmaceutical products. Today, such claims arise from the manufacture and sale of all types of products including industrial machinery and even from furnishing of engineering design and technical advice.

The problem of malpractice liability is another area somewhat related. Liability arising out of the operation of hospitals and the performance of surgical and medical service presents a rising problem to those engaged in such professions and is a definite challenge to the capabilities of insurance and, in turn, to the capabilities of reinsurance. Problems of similar type are gradually extending to all areas where independent professional advice is rendered, such as to accountants, lawyers and even to insurance agents.

Closely related to products liability is insurance against loss arising from the breach of a warranty of performance, Mr. Yount commented. Some underwriters believe this is carrying the assumption of risk by insurers too far, that business concerns should assume as a matter of ordinary business running expense their liability for the development and marketing of products which will perform according to specifications. Nevertheless, demand is increasing for coverage in this area and here again reinsurers will probably play a part in the assumption of a new type of risk.

As to the impact of changing social attitudes on insurance and their effect on reinsurers, the most important is the one having to do with the practical application of legal liability. The change in attitude is expressed in the changing concept from one of sole negligence to comparative negligence. This has been expressed in a few states by changes in their statutes. In other states the same end is being approached by the attitudes applied in settlements and jury verdicts and even by action of the judiciary. The effect is to bring into the field of liability insurance for payment, many cases of a type which were formerly regarded as "no liability" cases because of contributory negligence.

A more significant change in social viewpoint is the revolution under way with regard to the value of serious third party accidents. The increase in liability claim costs, which concerns both the insurer and the reinsurer, has been relatively greater for the serious accidents than for the minor accidents. Reasons for the change in attitude are various. One is the general effect of inflation, while a second is a much more wide-spread knowledge as to the presence of insurance. A third is undoubtedly the increased use of dramatic presentation on the part of certain elements of the legal profession. In any event, the combined effect adds to the problems of reinsurers in their role as absorbers of the impact of shock losses.

Catastrophic losses involving injuries to numbers of persons or to numbers of property owners are increasing. Many of the reasons for this increase are inherent in some of the factors above. In workmen's compensation, with the advent of higher weekly benefits for lifetime in the event of total incapacity and unlimited medical expenses, even one injured workman may, under some circumstances, present a total loss in excess of \$250,000.

The Texas City disaster in 1947, resulting in 551 people killed, 3,000 seriously injured and damage to property of \$60 million, was the worst WC catastrophe on record, costing about \$2 million. Were this catastrophe to be repeated under today's conditions in one of the states with benefit levels more nearly in keeping with today's wage scales, it could cost easily five times as much. Mention has been made of the catastrophe potential in air travel. Highway and rail transport afford similar catastrophe potentials, particularly with automatic controls on the railroads and their possible failure.

The most spectacular physical damage catastrophes arise from tornadoes, hurricanes, etc. Here property has grown in value per person, insurance to value has increased, there are more properties covered, and there are heavier concentrations of population. Reinsurance underwriters need to know if the world's weather remains subject to the law of averages, or if, as some meteorologists have stated, it is in process of permanent change.

These things result in a demand for higher limits of liability in third party coverages and the requirement of catastrophe covers among large buyers of property insurance. Up to a few years ago it was very unusual for a buyer to request limits of liability in excess of \$1 million. But a recent American Management Assn. study shows that excess limits currently are being purchased approximately three times the limits of four years ago. A corporate buyer wants to make sure first, that corporate assets are adequately protected. The price of the coverage is not the deterrent to purchase of high limits as it formerly was. Recently a buyer who had never purchased limits in excess of \$1 million requested limits of \$10 million on the renewal of his policy. When it was pointed out to him that he had a very normal operation without any obvious catastrophe exposure, his reply was that the high limits represented "sleep insurance."

Though the liability may be extremely remote, the reinsurer is under the same obligation as the primary insurer to protect his resources and the integrity of his insurance fund. The volume of requests for high single limit or catastrophe coverages is

straining the reinsurance market as never before. More and more the reinsurance market becomes a worldwide market.

Mr. Yount concluded that a tremendous expansion of the reinsurance facilities to be required can be obtained by mobilizing to a substantial degree the inherent capacity of the primary writers as reinsurers. Almost all primary writers occasionally provide reinsurance capacity. In good times this is likely to result in competitive practices which are ultimately unsound both for the primary writer and for

the reinsurer, he declared. Favorable conditions tend to produce extravagant practices by way of excess commissions and expenses which cannot survive a cycle of adverse experience. On the other hand, a proper organization of direct writing capacity on a quota share of reinsurance through expansion of the idea of pools and syndicates is perfectly feasible and with proper management can go a long way in solving a portion of the problem of the reinsurers in contributing sufficiently to today's demands for reinsurance capacity.

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Johnson Views Current Atomic Coverage Problems

(CONTINUED FROM PAGE 4)

dustries—electric power, aviation and chemical processes—the cycle has been slow enough to permit the insurance business gradually to provide the limits and amounts of insurance required. In the atomic industry field, however, he said, this does not appear possible because of the huge amounts of maximum liability and because of the impetus which the federal government has given to the atomic industry development under the atomic energy act. Thus the government has a special interest in seeing that peacetime atomic energy uses are not retarded, which means that the government has an interest in providing the necessary financial protection for the industry and in protecting the public.

The suggestion has been made that the government take over development of atomic power directly, thus avoiding questions concerning financial protection for private operators. But, Mr. Johnson pointed out, this leaves unsettled the question of protection to the public because it relegates claimants to recovery under the federal tort claims act, which requires proof of fault through negligent or wrong-

ful act of government employees and not through the exercise of a discretionary function, which was the basis on which the government escaped liability for the Texas City disaster.

Mr. Johnson pointed out that private insurance is available now through the Nuclear Energy Liability Insurance Assn. with a risk capacity of about \$35 million in stock insurers and through Mutual Atomic Energy Liability Underwriters, with a per risk capacity of about \$7 million, which, with reinsurance, makes available about \$60 million per installation. The two pools have dovetailed their efforts and will issue identical policies at identical rates under a reciprocal arrangement which will permit maximum use of joint capacity, he said. In addition Nuclear Energy Property Insurance Assn. provides first party property cover up to \$40 million per risk in stock companies, and the mutuals have a syndicate for writing about \$4 million, again with an identical policy and rate schedule. This provides about \$65 million per installation, with available reinsurance.

While private liability insurance and government indemnity as outlined

in the current bill are payable only upon the establishment of liability, Atomic Energy Commission has final authority to settle claims against the government on a fair and reasonable basis, he said. This is so AEC need not be bound by legal technicalities in a situation where the courts have not yet had a chance to establish new rules for new problems arising from radiation.

Mr. Johnson said it would be regrettable if the provisions of the government indemnity and the provisions of private insurance were not both coextensive and coterminous. To this end, the insurance business has recommended that the definition of a nuclear incident include a specifically definable reference to bodily injury as well as property damage which would be in accord with NELIA's liability policy.

The bill reported out by the joint committee on atomic energy of Congress defines public liability so as to include first party property damage claims for damage to off-site property owned by the nuclear reactor operator. But this extended protection by the government under the bill is conditioned upon similar coverage by private insurance. This has posed a difficult problem for the private liability insurers "since the inclusion of first party claims under a typical liability policy is completely contrary to all past practice." This has been pointed out to the Congressional committee by the insurance business.

One solution to this problem would be for the private property insurers in this field to extend their first party cover to include off-site property including non-contiguous off-site properties. But the program of the private insurers does not include payment for loss of use, whereas inclusion of such claims under the liability insurance program or under government indemnity program would allow claims for loss of use. Also, the limit of private insurance would not be adequate for operators or others whose off-site property values run into many millions more than the present capacity of private insurance for covering property as respects nuclear incidents.

He observed that the insurance business has been studying the desirability of expressly excluding radiation hazards from standard coverages and of offering limited endorsements which for special premium assume all or a part of the coverage expressly excluded. These studies have been more or less held in abeyance awaiting the outcome of pending federal legislation. Federal legislation will illuminate the possible avenue of subrogation recovery, which could influence the willingness of property insurers to venture into this uncharted area of first party property coverage against nuclear perils.

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Royal-Globe Has Fire Underwriting Unit at Cleveland for Ohio

Royal-Globe has made complete fire underwriting facilities available in its Cleveland regional office, which will handle fire business in Ohio and Boone, Campbell and Kenton counties, Kentucky.

This supplements the existing casualty underwriting provided by the group's offices in Cleveland and Cincinnati and is a part of the group's program of locating complete underwriting facilities in the field.

Charles T. Cardno, who formerly handled fire underwriting for Ohio from New York, has been transferred to Cleveland to head the new fire underwriting unit. The entire operation is under the supervision of Robert C. Walker, who manages the region for Royal-Globe.

Special Agent Donald Engle has been assigned to the Cuyahoga county (Cleveland) field to assist State Agent Robert Bright. Special Agent Harold Dorzweiler has been assigned to Cincinnati.

Mr. Engle, a graduate of Royal-Globe's production course in New York recently was a field trainee in Cleveland. Mr. Dorzweiler, who attended the production school, recently has been with the Chicago office.

22 Field Changes Are Made by Travelers Ind.

Travelers Indemnity has made 22 field changes.

Warren T. A. Geary, who has been fidelity and surety supervisor at Cleveland, has been appointed assistant superintendent of those lines at Chicago.

The company has appointed 18 field supervisors—in fidelity and surety, Don G. Bartlett at Worcester, Mass.; Harold R. Smith, Los Angeles; Gerald A. Walsh, Minneapolis; and Paul W. Houck, Reading, Pa.

In casualty, fidelity and surety, Donald J. Cullen, Grand Rapids; Lyndon T. Abbott Jr., Newark; David M. Champe, Charleston, S. C.; T. Earl Bacon, Jacksonville; Robert T. Cronin, Worcester; L. R. Nelson, Minneapolis; David Q. Walker, Detroit; Ronald R. Chapman, Toledo; Francis J. Lenz, Grand Rapids, and Kenneth E. Barker, Dayton.

In fire and marine, Ronald V. Martin, John street, New York; Roy D. Hale, Wichita; John J. Schnurman, Hartford; and Edward J. Kelly Jr., Dallas.

Charles D. Suitch transfers from Baltimore, where he has been casualty, fidelity and surety field supervisor, to Reading, where he adds fire and marine to his duties. Robert D. Mowers transfers from Des Moines to Detroit in casualty, fidelity and surety.

A. E. Linsmaier, field supervisor at Cincinnati in casualty, fidelity and has fire and marine added.

Shuttleworth Albany Manager of Boston

John A. Shuttleworth has been appointed manager of the Albany office of Boston and Old Colony. He joined the group in 1949, was casualty underwriter at the home office, transferred to Albany as supervising underwriter in 1954 and later became multiple line special agent there.

William R. Carey, joint manager of the aviation department of Stewart, Smith & Co., New York, has been elected a director of Pennsylvania Exchange Bank of New York City.

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July 25, 1957

The NATIONAL UNDERWRITER

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Lawyer Gives Settlement vs Trial Factors

(CONTINUED FROM PAGE 9)

plaintiff or defendant, thoroughly to canvass settlement possibilities prior to trial and give his client a sound appraisal of the strengths and weaknesses of his case. However, he warned, remember that if negotiations break down the client no doubt will find himself engaged in trial. There, careful consideration should be given to the extent to which he should disclose his evidence to his opponent.

Invariably, the plaintiff in a personal injury case will claim a loss of earnings. If he had a complete set of books and records which showed the figures that went into his tax returns, no one would say that he could not be ordered to produce them. The same information does not become any the less obtainable just because it has been written on a governmental form. Mr. McGough is a great believer in demanding the production of copies of income tax returns to obtain detailed information about plaintiff's earnings and the deduction claimed by him. If plaintiff's attorney refuses to furnish a copy of his client's income tax returns, counsel can move under rule 34 of the federal rules of civil procedure for an order requiring plaintiff to produce and permit defendant to inspect and copy his returns.

The income tax return usually throws light on the controversy before the court and will probably lead to the discovery of admissible evidence. Rule 34 requires a showing of good cause, but that rule should be given a liberal construction.

If a plaintiff seeks to avail himself of the processes of a court to recover substantial damages for his loss of income, it is only reasonable that he should comply with the opposition party's demand for inspection of copies of his income tax returns.

In a recent case, a 275 pound professional wrestler sued for \$500,000 for injuries suffered when he fell down a flight of steps in a hotel. No one knows how to stage a fall better than a wrestler. The entries in the hospital chart indicated his disability was the result of hysteria, but apparently none of his doctors had nerve enough to so advise the 275 pounder.

After a long period of hospitalization he hobbled about on crutches. He brought suit in federal court alleging that he was a citizen of a foreign country and had been in the U.S. only a few years. He claimed a tremendous loss of income because of his inability to wrestle. Demand for the production of his tax returns met with strong objection. Plaintiff claimed he had lost the copies of his returns. The court ordered him to produce the returns, stating that information as to plaintiff's prior earning capacity, as reflected in his income tax returns, was of prime importance in determining the extent of the damages he had suffered.

No returns had been filed. He claimed he had paid someone a fee to make out his returns and paid the tax in cash but did not get receipts. He insinuated that somebody in the tax department had two pockets. When the case came on for trial, three husky federal and state revenue men and one man from the intelligence division happened to be in the front row of the courtroom and it was then that plaintiff's hysteria began to evaporate. During trial a reasonable settlement was effected, which the wrestler shared with the revenue agents.

Production of copies of income tax returns should not be overlooked by

plaintiff's attorney, Mr. McGough said, in order to save his client from embarrassment and the possibility of having to explain to revenue men a variance between the amount of income reported in his return and that given in his sworn testimony.

A violent explosion occurred in a small town in Minnesota one January night which resulted in hundreds of thousands of dollars in property damage to several hundred people—and claims for many times that amount. To determine liability, the court ordered a separate trial of the issue of negligence. Thereafter, the court appointed a master to determine the extent of the damage of each claimant. Here again production of income tax returns was demanded, and after strenuous opposition the master ruled that they should be produced. The first plaintiff to testify was a merchant claiming about \$75,000 worth of damage to the contents of his store. However, just 12 days before the explosion he had filed his income tax return and informed the government that he had only \$5,000 worth of merchandise on hand. The merchant was merely asked to produce invoices for the \$75,000 worth of merchandise he purportedly received during the first 12 days of January. By the end of the week the plaintiffs were getting reasonably close to the truth as to the extent of their damage, and a settlement was effected.

These examples, he said, point out that it is far better to let the plaintiff hang himself with his own income tax records than to wait until the courtroom and, through clever cross-examination, hope that lightning will strike.

Mr. McGough believes plaintiff's discovery deposition should be taken in practically every personal injury case. Not only does this get the plaintiff's version of the accident, but defendant's attorney has an opportunity to observe his appearance, his personality, or lack of it, and is in a position to decide whether he is telling a straightforward story that might appeal to a jury. The discovery deposition also gives insight into plaintiff's past history. For example, during trial counsel would never dare ask whether or not he had ever been convicted of a crime unless he was certain of the answer.

The pre-trial conference affords an excellent opportunity to sort out, simplify and pinpoint the facts the attorney will use to meet the other side's claims, Mr. McGough said.

Trial counsel must make an honest effort to settle, he said. But if advantageous settlement is impossible, "go into court, try your lawsuit and let the chips fall where they may."

Successful Insurers**Advertise 50% More**

(CONTINUED FROM PAGE 8)

be used on new coverages, can be controlled by territory, and can be timed, and the expense can be controlled. Results can be measured. Buffalo printed three letters, supplied agents with them and insert material to illustrate the coverage, made the whole package available in reasonable quantities free if agents would prepare the list and do the addressing and posting. In their first six months agents ordered and used 50,000 with very satisfactory results. The annual cost represents 6% of the advertising budget.

A company of the Buffalo's size can't afford to get into newspaper, magazine, radio or TV advertising direct to

the public, Mr. Ehre said. About the only advertising that Buffalo can direct to the buying public is direct mail, perhaps some cooperative advertising with agents or by means of match book covers.

However, he is convinced of the need for advertising in the insurance business publications. A standard stock insurer is not engaged so much in selling itself to the policy buying public as it is in selling itself to the local, independent agent, he said. This is pre-conditioning of prospective agents to gain identity and acceptance in the market place and contracting with agents on the best possible terms. To do this "we must present our messages, our word pictures, to the vast market of independent local agents in the trade papers which they are accustomed to read."

All this accounts for 69% of the Buffalo budget, which leaves 31% for advertising in the insurance press. Buffalo now is developing a theme, message and presentation for this phase of its advertising program, he said.

Home to Ask Okay of More Authorized Shares

(CONTINUED FROM PAGE 1)

option plan, we believe that a start can now be made in establishing these worthwhile objectives." Many manufacturing companies have adopted stock option plans and the proposed Home plan is similar to many of the recent plans proposed by other corporations.

Options to be granted under the proposed plan would be authorized by the directors. The option price is to be 100% of the fair market value of the common stock on the date the option is granted and not less than the par value of the stock. No one who receives an option may exercise it in whole or in part prior to two years from the date it is granted.

Home's stock was quoted last weekend at around \$42 bid. (The proposed increase in authorized capital to enable Home to acquire other companies is considered particularly interesting in view of the fact that several insurers, some of them of fairly large size, quietly have been offered for sale this year. More are expected to be amenable to purchase before year end.

(The ability to issue additional stock to effect the purchase or merger with an exchange of stock would put Home in a position to move quickly if a good opportunity presented itself. Presumably it would obviate some of the difficulties that arose in the Continental Casualty-National Fire purchase and reduce the chances of premature widespread publicity as in the case of the proposed America Fore-Loyalty group merger.)

Davis and Kelton Join Standard of Tulsa

Parke Davis, former president of Insurors Indemnity & Insurance of Tulsa, and Herman R. Kelton, former automobile underwriting manager, have joined Standard of Tulsa—Mr. Davis as vice-president and head of the Tulsa branch office production department, and Mr. Kelton as automobile underwriting manager. Insurors Indemnity was taken over recently by Houston Fire & Casualty.

Mr. Davis practiced law until 1940 when he joined Insurors Indemnity. He was made president in 1947.

Mr. Kelton began his insurance career with Insurors Indemnity in 1945 and became head of the automobile underwriting department in 1953.

Gold Action on Firemen's Tax in N.C. Will Save Fire Insurers \$100,000

Hinging his decision on intent rather than what the legislature actually did, Commissioner Gold of North Carolina has ruled that insurers will pay into the new firemen's pension fund only for the portion of this year from Aug. 15 through Dec. 31. This saves the companies more than \$100,000. As the law was written, it appeared they would have to pay into the fund 1% of all fire premiums collected in protected areas from the first of the year.

Answering other questions which have been raised concerning the new fund, Mr. Gold said:

1. The fire and lightning portion of auto physical damage does fall within the scope of the act.
2. The firemen's pension fund act is in addition to the firemen's relief fund act.

3. North Carolina Fire Insurance Rating Bureau has authority to reflect the 1% increase in fire and lightning coverage in the rate, and the increase may be made effective Aug. 15 or as soon thereafter as the bureau decides to act. He has not indicated whether he will allow any increase, other than the 1%, to offset expenses incurred by the companies in collecting the tax.



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**Travelers Promotes
Several in Data
Processing Division**

Two secretaries and five assistant secretaries have been named in the data processing department of the Travelers group. The new department administers the companies' tabulating and electronic computer program.

New secretaries are Roger G. Nicholls, whose general administrative duties will include supervision of personnel, space requirements, machine equipment, budget and cost control, and George F. Miller, who will supervise operations, including programming and computer analysis.

New assistant secretaries are: George F. Waite, tabulating division; James P. Hurst, computer division; Harold W. Jones, data processing procedure analysis, casualty and fire; William A. Small, data processing procedure analysis, group, and Sylvio F. Preli, data processing procedure analysis, life and accident.

Alfred E. Duplessis, secretary of the methods and planning department, has been transferred to data processing, continuing as secretary supervising all data processing procedure analysis in that department. He has been with Travelers since 1948 and was named secretary in methods and planning in 1955.

**Comment on Malpractice
Situation in California**

Too many doctors in San Francisco "are still doing things which they should not," says an admonitory editorial in the San Francisco Medical Society Bulletin following a study of the "booming malpractice business."

The bulletin reports that of 107 cases against society members, 67 were carried to court. Of this number 62 were won by the doctors and five were lost. But, says the bulletin, 54 cases were settled before trial on the recommendation of the society's committee and its advisers.

The editorial also reports that California tops the nation in the number of malpractice suits against physicians, as well as awards by juries and rates charged for malpractice insurance. Reasons given for the "booming business" include: Inflation, court rulings that impose greater responsibilities for use of new drugs and techniques, generosity of juries in personal injury cases, lawyers who have "found a profitable livelihood in the malpractice field."

**New Campaign to Stress
Relation of Mich. Auto
Rates, Loss Experience**

Michigan Insurance Information Service, maintained by 12 casualty insurers domiciled in the state, is conducting a new educational campaign stressing accident loss experience and providing continuous reminders that low-cost auto insurance is conditioned wholly on accident prevention.

In inaugurating the campaign, it was noted that while traffic safety measures in the past have stressed the physical causes of accidents and the goal of saving lives, the economic effect of accidents upon both individuals and society is also an important consideration. This effect has recently been highlighted by a steady upward spiral of accidents and losses which is creating public attitudes which are dangerous to both loss protection and accident prevention. Comprehensive experience information pooled by the Michigan insurers is now available to illustrate the relation between losses and resultant auto rates, and the companies believe that full understanding of this part of the traffic safety problem can be of benefit to the entire accident control effort.

Under the program, motorists insured with the cooperating companies will receive messages regularly, bearing the campaign's slogan, "Careful, Partner." Members of the MIIS affiliated speakers bureau, composed of 110 executives of the participating companies, will assist in publicizing the information, and other media including newspapers, radio and TV stations will also receive material relating to all phases of accident loss.

**Issues Booklet on Fire
Protection for Homeowner**

Boston Better Business Bureau has gotten out a two color, illustrated booklet entitled "Facts You Should Know About Home Fire Protection." The booklet discusses major causes of home fires, how to keep the home safe, what to do when fire breaks out, basic standards by which to judge fire extinguishers and alarm systems and a section on the need of carrying fire insurance in adequate amount. There is even a discussion of the supervision of fire insurance companies by the states. The booklet is copyrighted by Boston BBB and is available at 10 cents a copy for individual orders at 52 Chauncey street, Boston 11.

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Aetna Casualty Field Changes in Pa., Ia., O. N.J., Tex., N.Y.

Aetna Casualty and Standard Fire have made a number of changes in field personnel in the fire division.

W. D. Taylor, superintendent of fire division operations in metropolitan Philadelphia area since 1935, has retired. He joined the companies in 1918 as an underwriter. Jay Smith, formerly state agent at Waterloo, Ia., has been appointed manager of the southeastern Pennsylvania and Delaware territory with headquarters at Philadelphia. Succeeding him as state agent will be Alfred G. Grise. Robert L. Allen has been promoted to state agent, replacing Mr. Grise, while F. J. Wurzer has been named special agent to assist Mr. Grise.

Mr. Smith joined Standard Fire in 1922 and after serving in the home office was appointed special agent at Waterloo. Since 1941, when he was promoted to state agent in charge of business in Iowa, he has served as secretary of Iowa Fire.

Mr. Grise was appointed special agent at Springfield, Mass., in 1950 and a year later became state agent at Oklahoma City.

Mr. Allen was appointed special agent at Dallas in 1953.

Russell E. Canora has been promoted to state agent to supervise fire operations in Ohio with headquarters at Columbus. He joined the company in 1944 as assistant underwriter and was subsequently appointed special agent at Springfield, Mass.

Raymond D. Houlihan Jr., special agent in charge of southern New Jersey, has been promoted to state agent for the same territory with headquarters at Philadelphia. Mr. Houlihan joined the companies in 1950 and has served as special agent at Albany, N.Y.

Francis S. Gardner, special agent, has been transferred from Harrisburg to Wilkes-Barre where he will oversee operations in northeastern Pennsylvania. He joined the companies in 1950 and has served at Washington and at Harrisburg as special agent.

Charles Scott has been appointed special agent at Dallas and Carl Dachs has been named special agent at New York City.

Young and Behm to Higher Ohio Department Posts

R. F. Young has been appointed fire rate supervisor in the Ohio department and C. Donnal Behm has been named casualty rate supervisor.

Mr. Young has been in insurance for 25 years and has been rate analyst for fire and inland marine in the department for three years.

Mr. Behm has been rate analyst in the casualty and surety division and has been with the department for 10 years.

Acquires Fidelity of Canada

Friends' Provident insurance group of Britain, which transacts business in

the U. S. through Century and Pacific Coast Fire, has acquired a controlling interest in Fidelity Life of Regina, Saskatchewan. Fidelity Life was incorporated in 1912 as Saskatchewan Life but changed its name in 1942 when it expanded its operations to other parts of Canada. The acquisition marks the first step of Friends' Provident group into the life field in North America.

Five Texas Local Assns. Elect

Five local associations affiliated with Texas Assn. of Insurance Agents have elected officers. They are:

Breckenridge: Blake Johnson Jr. president; H. S. Lemmons secretary; Howard A. Swanson treasurer.

Borger: Mrs. Margaret Hendrickson president; Andrew Revious vice-president; R. M. Tweed secretary.

Denison: Sam E. Harwell president; Russell W. Oden secretary.

Fort Worth: E. G. Niblo president; Gaines R. Terrell secretary; Mrs. Doris Fenn assistant secretary.

Henderson: T. L. Mitchell president; W. A. Preston secretary.

Spartanburg, (S. C.) Assn. of Insurance Women has installed Mrs. Agnes Russell as president, Mrs. Mary Fuller vice-president, Mrs. Louise McKinney secretary, and Mrs. Thelma Thomason treasurer.

Continental Casualty Names Brown to Surety Post at New York

Continental Casualty has appointed Edward M. Brown as resident vice-president of the eastern fidelity and surety department at New York.

Mr. Brown, who has more than 25 years experience in the insurance and surety field, began his career with Century Indemnity. After 14 years he joined

National Surety, where for 11 years he was manager of the New York office. For the past year he has handled all lines as production manager for Aetna Fire at New York.

The John Roy Campbell agency of Harrison, Ark., has moved to its own building at 209 North Walnut street.

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Defense and Plaintiff's Attorneys Tell How They Handle Products Cases

Two views of the same legal subject matter—products liability—were presented to the insurance section of American Bar Assn. at its convention in New York. Homer R. Marvin, attorney of Mineola, N. Y., dealt with defense and Arnold B. Elkind of New York with the plaintiff's side. Mr. Marvin thinks the cases are difficult to defend, Mr. Elkind believes remedy is hard to come by partly because of such "antediluvian notions as privity."

Mr. Elkind also outlined the pattern he follows in order to win such cases and urged a termination of some of the uncertainties that exist in this area in order to bring about a just balance of rights between consumers and manufacturers "without jeopardizing the adversary system by such broad social reforms as enterprise liability."

• • •

Mr. Marvin pointed out many of the problems of defense arise from the fact that almost always the defense is negative in character, the nature and cause of the failure are elusive, and the legal principles which may be applicable depend upon the relationship between the plaintiff and the defendant represented.

One problem is the absence of defendant when the incident takes place, unless it is a retail store or restaurant. Also, such cases require a thorough and intensive investigation of the plaintiff, his background, his employment history and economic status, and thorough investigation of the occurrence and scene of accident.

Inspection of the instrumentality by a competent authority should be arranged to determine the nature of the failure and, from a scientific standpoint, the potential causes of such failure.

Such investigation is essential in all products liability cases, not excluding the run of the mill foreign substance cases, he said. For, in the latter, the injuries are generally of a trivial nature and gross exaggeration is often resorted to, and, because the defendant was not present at the occurrence, considerable liberties are frequently taken with the truth regarding manner of occurrence. Experience indicates that favorable verdicts often follow any impeachment of the plaintiff as to the occurrence itself or in respect to his claim for special damages.

The need of a competent expert is illustrated in a suit instituted against the manufacturer of a die-casting machine, Mr. Marvin commented. Because of the report of the expert he selected, plaintiff based his negligence case on the allegation that an injection piston rod failed because of double bend fatigue. An intensive study of the machine by counsel for the defendant manufacturer established that in normal operation the piston rod was subject to a slight double bend on each cycle of operation. He selected a metallurgist of note to inspect the fragments and make tests of them and he, himself, under the guidance of the expert, made an extensive study of the texts and literature on the subject. As a result, he was able to demonstrate on cross-examination of plaintiff's expert and by direct examination of defendant's expert that the failure was caused not by double bend fatigue, but because of the improper use of the machine by the purchaser.

Another problem is an understanding, depending upon the relationship between the plaintiff and the defendant,

of the particular rules of law applicable—breach of express warranty or of one or more of the warranties implied in law; or violation of certain statutes such as those which deal with the manufacture and sale of foodstuffs, e.g., the agriculture and markets law of New York. Where plaintiff proceeds on the theory of breach of warranty, the defendant's attorney must determine whether privity of contract between plaintiff and his client existed. Where he sues on the theory of a violation of statute, plaintiff has all the advantages of a suit for breach of warranty insofar as making out a *prima facie* case is concerned but need not establish privity of contract. He also may sue any of the persons upon whom compliance with the statute is imposed, and proof of a violation of the statute is negligence *per se*. If, on the other hand, plaintiff proceeds on the theory of negligence, he may recover against any one whose negligence was a proximate cause of the failure.

• • •

The attorney may represent the retailer, in which case the question is whether his client changed or procured the instrumentality or negligently permitted it to become contaminated, adulterated or defective. Or, he may defend a manufacturer.

Mr. Marvin does not believe that recent lower court rulings permitting recovery on the theory of breach of warranty though no privity of contract exists is likely to enable recovery against a manufacturer on the same theory.

Mr. Elkind declared that jurists, legal writers, and plaintiff are with increasing vigor expressing concern for the unknown number of remediable wrongs that come about by virtue of the practical restrictiveness of suits against the manufacturer in which plaintiff must prove negligence in manufacture. Various fictions have been resorted to by the courts in many states to overcome and offset the privity gap, which without any rhyme or reason except that of historical accident, still constitutes a practical barrier between tort and recovery.

"The fact that after so many repeated exposures privity still has any vitality whatsoever in this field means that we continue to pay tribute to the antediluvian notion that tort victims are not created equal but have a status dependent upon whether they had a business transaction with the man that hurt them," he averred.

He called attention to recent New York cases which reflect substantial change in this area—the \$3,000 for a tooth that a woman broke in a restaurant, though someone else had paid the diner's check; and \$1,500 won from Planter's Nut & Candy Co., a manufacturer, by a man whose bridgework was damaged by a piece of wire in a candy bar, even though he bought the candy in a cigar store. Thus was the protective wall of privity cracked.

In another recent case decided by the appellate division in New York an infant of a tenant fell from the back steps of an apartment. Action was against the architects and the builder, alleging negligence in design. The defense, successful in the lower court but overruled in the appellate division, was the lack of privity. The court held that the imminence of danger should be the test and not the classification of the object from which the danger eman-

Late News Bulletins . . .

(CONTINUED FROM PAGE 1)

would reconvene the hearing later. He told H. L. Van Horn, Calvert president, he thought Calvert had tried to correct the situation. "I am glad you saw fit to license your agents. I think that's been the heart of your trouble. I suspect they haven't been told what their responsibilities are. Any company which does business in North Carolina must take the responsibility of seeing that its risks are properly classified."

Calvert had only one agent, John E. Schley of Asheville, licensed in North Carolina when Mr. Gold informed the company June 19 of a 1957 act requiring business to be transacted through licensed agents. The company applied on July 17 for licenses for 110 agents, on July 19 for 35 agents and on July 22—the date of the hearing—for 11 more.

Mr. Van Horn testified his company is complying with the classification rule, that in 1956 63.3% of its collision risks in North Carolina were in class 1, and in the first quarter of this year 70.8%. The department introduced statistics showing that the average for all companies doing business in the state is 78.7%.

Boston Acquires Equitable Fire of S. C.

Boston has acquired control of Equitable Fire of Charleston, S. C.

Equitable Fire will continue operations from its home office in Charleston with its present personnel.

Organized in 1894, Equitable Fire is a conference company writing fire and allied lines through about 250 agents in South Carolina, North Carolina, Virginia and Georgia. It wrote \$382,998 of premiums, almost all fire and extended coverage, in 1956 and had assets at last year end of \$1,876,177.

Stockholders of Equitable have elected a new board consisting of six members of the previous Equitable board who were reelected and five members of the Boston board.

nates. Finally, the court of appeals in May, 1957, threw the mantle of protection about the frail shoulders of those allergic to Arrid, by holding that the defendant had a duty to warn if, in the exercise of reasonable care, it could have foreseen the consequences of its use to allergic persons.

Consequently, Mr. Elkind advised, "do not expect to find those magic words 'it is well settled that' in current products liability opinions."

With variations depending on individual procedures, he sees developing ahead:

1. The cause of action of the consumer would be based on warranty. This would apply whether the product involved was a food, a drug, a chemical or a machine. It would apply regardless of who bought the product, and there would be no requirement of privity whatsoever.

2. The defendant could win this lawsuit if either (a) the product was not being used in the manner in which the manufacturer intended it, (b) it was not the product which caused the damage, (c) the damage-producing qualities of the product changed from the time that it left the manufacturer's hands, or (d) the consumer was adequately warned of the danger of the product. As a separate allegation in his answer, though not as a bar to recovery, the manufacturer should be able to plead and prove that he exercised reasonable care under all the circumstances to eliminate the danger to the plaintiff.

3. The jury should be instructed that evidence of the manufacturer's care was presented on the issue of whether the damages should be restricted to the purchase price of the product involved—that if there was inadequate care, the manufacturer is liable not only for the cost but for all the consequential damage, pain and suffering, etc.

As one devoted to the adversary system of resolving disputes, Mr. Elkind regards it as imperative to maintain relevancy of the manufacturer's care in the lawsuit, but this is quite different from the present system of imposing upon the plaintiff the burden of proving negligence.

Term Rates Are Being Altered in New England

(CONTINUED FROM PAGE 1)

present four times annual.

The New England Rating Bureau also shows 1.85 times for two years and 3.55 times for four years.

The New England bureau excludes from the change in term multiple grain elevators, etc., cotton in bales, multiple location form A, and all property covered under floater forms of any kind. These classes nationally are not subject to the term rate.

The commissioners generally have strongly supported the idea of changing term multiples, partly because of the current bad loss situation in which the fire insurers find themselves. But it also is partly because the multiples probably never have been realistic and certainly are not considered so today. So much term business has gone on the installment plan, which reduces the opportunity of investment earnings on the premiums and which eliminates a good deal of the expense saving because of the necessity of collecting once a year.

It is understood that in general organization mutuals and companies that file independently favor the change in term multiples and will go along with them. However, the additional charge for installment payment of premiums currently effective likely will continue pending outcome of detailed actuarial studies now being conducted.

Reductions in term credits will produce an increase in premiums for term policies. This may have a modifying effect at the time class rate adjustments are undertaken in the various territories.

Zone IV to Meet at Chicago

The meeting of zone 4 of National Assn. of Insurance Commissioners has been scheduled for Sept. 30-Oct. 1 at Chicago. The eight states in the zone are Illinois, Michigan, Minnesota, North Dakota, South Dakota, Iowa, Indiana, and Wisconsin.

New York Board has named David K. Tuttle, president of the New York agency of Tuttle, Pendleton & Gelston, to the committee on losses and adjustments to fill the vacancy created by the death of John Pirkle.

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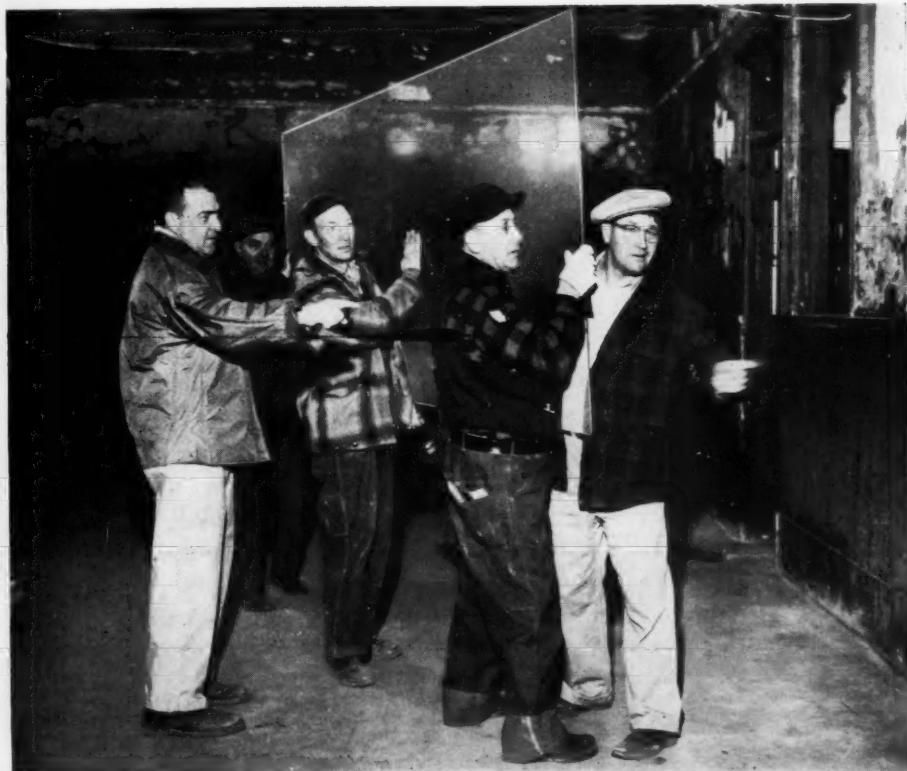
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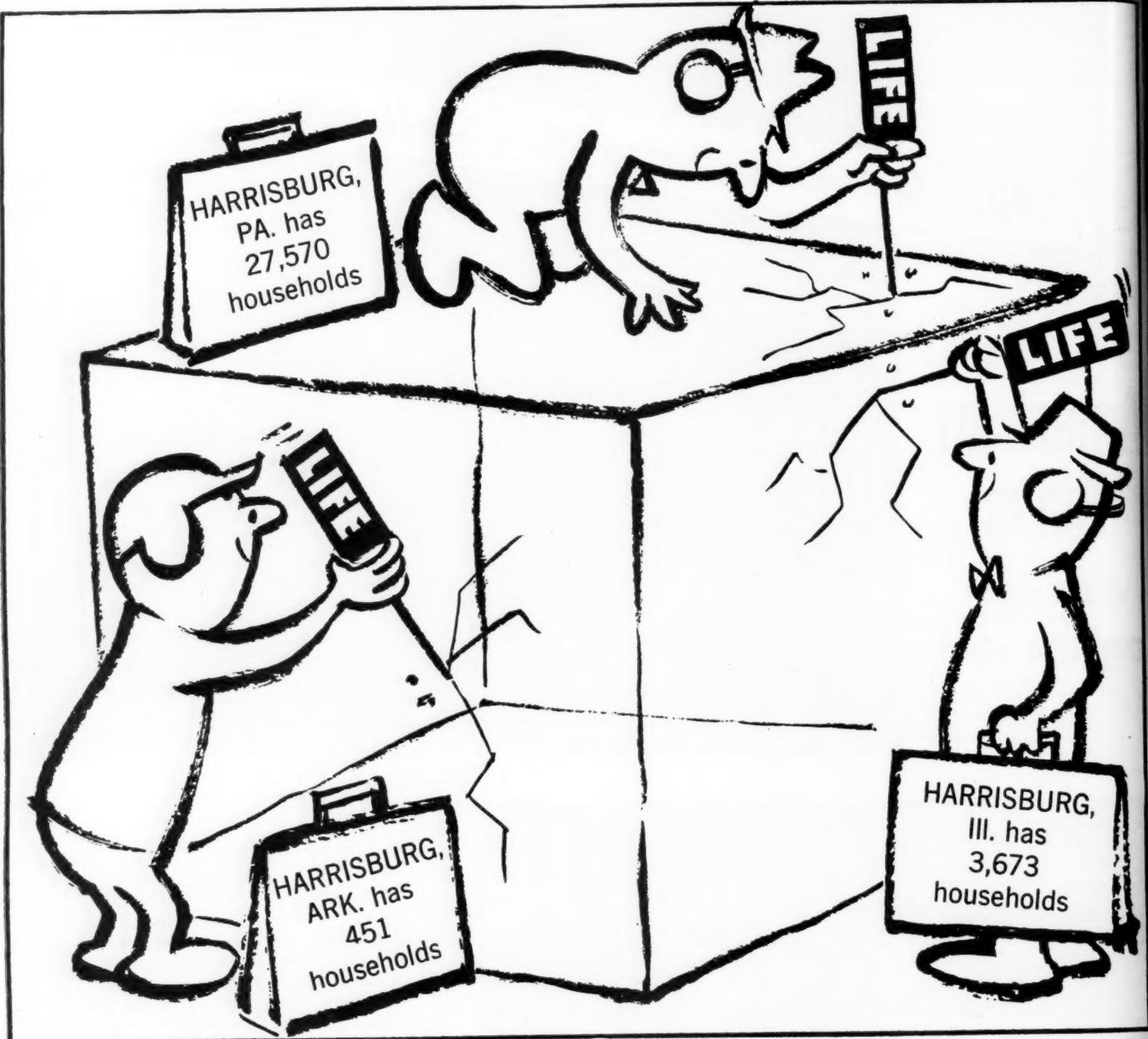
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These fire, casualty, health, and accident companies advertised in LIFE during the first seven months of 1957: Aetna Casualty and Surety Co. • Allstate Insurance Co. • America Fore Insurance Group • Hartford Fire Insurance Co. Group • Mutual Life Insurance Co. of New York • Insurance Companies of North America • The Travelers Insurance Co.

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